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PUBLIC VERSUS PRIVATE POWER DURING THE TRUMAN ADMINISTRATION: A STUDY OF FAIR DEAL LIBERALISM

by

©

PHYLLIS R. DE LUNA

A THESIS
SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH
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The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research, for acceptance, a thesis entitled "Public Versus Private Power During the Truman Administration: A Study of Fair Deal Liberalism" submitted by Phyllis R. de Luna in partial fulfilment of the requirements for the degree of Doctor of Philosophy.

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ABSTRACT

This study examines the electric power policies of the Truman Presidency from 1949 to 1952 in order to assess that Administration's commitment to liberalism, a subject that has evoked considerable debate between liberal and revisionist historians. American liberalism has included government concern with electric power since the Progressive Era. Prior to 1949 Truman was indecisive about adopting a reform program, but in January of that year he became President in his own right with a commitment to renew the New Deal through a series of liberal proposals known as the Fair Deal.

This investigation is based on archives of the Department of the Interior, the Army Corps of Engineers, the Federal Power Commission and the Rural Electrification Administration as well as the papers of Harry S. Truman, his two Secretaries of the Interior, Julius Krug and Oscar Chapman, and other Administration figures.

Truman and his Secretaries of the Interior, along with a few lesser officials, espoused public power policies consistent with American liberalism. These contained all three strains of progressivism expressed in the New Deal: government regulation in the public interest, Federal ownership of large, comprehensive river projects and cooperation

with private power where necessary.

However, the record shows more failures than successes. The achievements included an increase in Federal transmission lines and generating capacity, steam plants for the Tennessee Valley Authority, the withstanding of attacks by private power on the Southwestern Power Administration, the creation of a new Southeastern Power Administration and the advancement of the rural electrification program. The failures were not only more numerous but more significant. No new valley authorities were established, the water resources organization problem remained unsolved and a national power policy was not enunciated. Requests of Congress for steam plants for the Northwest and California Central Valley and for the Bonneville-Central Valley inter-tie were denied. Whether the Rural Electrification Administration could legally make loans to federated cooperatives for building generating and transmission facilities was left in abeyance, and the practice of leasing these facilities by Interior power agencies was curtailed. Furthermore, the Government failed to save four choice power sites for Federal development. Less clearly a defeat was the success of private power utilities in persuading Congress to pressure Interior to execute contracts with them for transmitting Federal power over their lines since the Government usually secured terms protective of liberal power principles.

The reasons for the failures were that Truman, often for political reasons, did not consistently work to realize liberal power aims and that only two senior level administrators, the Secretaries of Interior, labored persistently to achieve such goals. Executive branch discord also played an important part; agencies like the Corps of Engineers, Bureau of Reclamation and Federal Power Commission often worked at cross purposes with Administration efforts to implement liberal power policies. In addition, local area sentiment and opposition from segments of organized labor contributed to the Second Truman Administration's failure to win the crucial battles in the public versus private power struggle.

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My visits to the Harry S. Truman Library in Independence, Missouri were pleasant and fruitful. I owe this to the friendly, efficient help that I received from the staff, particularly Mr. Philip D. Lagerquist, Mr. Harry Clark and Mr. Warren Ohrvall. Mr. Oscar Chapman kindly granted me permission to consult his papers, which are deposited in the Truman Library. I am grateful for the hospitality extended by my sister and brother-in-law, Mr. and Mrs. Charles Ferris, during my research trips to Independence.

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CHAPTER I

INTRODUCTION: LIBERALISM AT MID-CENTURY

A consensus regarding the political significance of the Fair Deal prevailed among historians for nearly fifteen years following the end of the Truman Administration. This view held that "the Fair Deal was the logical extension of the New Deal and that Truman was the inheritor of the 'progressive tradition' of William Jennings Bryan, Woodrow Wilson and the two Roosevelts."[1] It described Truman's contribution to liberalism as basically a holding action for New Deal gains, an achievement accomplished despite a post war reaction and opposition from a conservative coalition in the Congress. Consistent with the President's own description of his domestic policy as a "middle course," this analysis credited Truman with codifying New Deal programs and extending them where the need was great or where it was feasible to do so.[2]

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[1] Richard O. Davies, "Social Welfare Policies," in The Truman Period As a Research Field, ed. by Richard S. Kirkendall (Columbia, Mo., 1967), 1953-54.

[2] Clinton Rossiter, The American Presidency (New York, 1956), 121-27; Eric F. Goldman, The Crucial Decade--And After, America 1945-1960 (New York, 1960), 81, 293; see also Mario Einaudi, The Roosevelt Revolution (New York, 1959), 125. For textbooks that contain this interpretation see Arthur S. Link, American Epoch: A History of the United States Since the 1890's (3d ed., New York, 1963), 660-68;

Much of the basis for this interpretation of the Fair Deal was provided in 1954 by Richard Neustadt, a former member of Truman's White House staff, who maintained:

> As a consolidator, as a builder on foundations, Truman left an impressive legislative record. . . . Moreover as a protector, as defender, wielder of the veto against encroachments on the liberal preserve, Truman left a record of considerable success--an aspect of the Fair Deal not to be discounted.[3]

While Neustadt conceded that the Administration failed to score in several areas, he included on the credit side of his tally sheet such achievements as the Employment Act of 1946; a significant increase and coverage in social security benefits; the raising of the minimum wage and extensions of programs for soil conservation, flood control, rural electrification, reclamation, public power, public housing and hospital construction.[4]

In the late sixties this unanimity among historians of the Truman years began to break down. A group of young historians, sometimes referred to as the New Left school

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John A. Garraty, The American Nation: A History of the United States (1st ed., New York, 1966), 806-807; Frank Freidel, America in the Twentieth Century (2d ed., rev., New York, 1965), 503.

[3] Richard E. Neustadt, "Congress and the Fair Deal: A Legislative Balance Sheet," in The Shaping of Twentieth-Century America, ed. by Richard M. Abrams and Lawrence W. Levine (Boston, 1965), 586.

[4] Ibid., 585-88; Neustadt listed as evidences of lack of success Truman's failure to get repeal of the Taft-Hartley Act and to achieve such new programs as Federal aid to education, a national health scheme, civil rights legislation and the Brannan Plan for agriculture.

and sometimes as revisionists, began taking issue with the liberal assessment of the Truman Administration. These scholars concluded that little liberal reform was accomplished during this period and, furthermore, that Truman lacked the ability and conviction to accomplish such change. Some revisionists also called into question the "midcentury liberalism for which he spoke."[5]

While they recognized that the anti-New Deal conservative alliance in Congress and the split in the Democratic Party that were inherited from the Roosevelt Administration would have made it difficult for any President to get a liberal program enacted, these historians charged that Truman was an incompetent leader and that he expended most of his energies just trying to stand in one spot. They criticized Truman for appointing conservative administrators in an effort to pacify critics of the New Deal in Congress and for allowing these aides virtual independence in their respective departments which resulted in an undermining of liberal policies.[6] Regarding Truman's leadership in working for the enactment of liberal measures, one revisionist has written:

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[5] Robert Griffith, "Truman and the Revisionists" (paper presented at the annual meeting of the Organization of American Historians, Washington, D.C., April 7, 1972), 8. Griffith gives an excellent discussion of this historiographical controversy.

[6] Barton J. Bernstein, "Introduction," in Politics and Policies of the Truman Administration, ed. by Barton J. Bernstein (Chicago, 1970), 12; Samuel Lubell, The Future of American Politics (3d ed., rev., New York, 1965), 26-29; Athan Theoharis, "The Truman Presidency, Trial and Error," Wisconsin Magazine of History (Autumn, 1971), 49-58; Barton J. Bernstein, "The Presidency under Truman," Yale Political (Fall, 1964), 9; Barton J. Bernstein, "America in War and Peace: The Test of Liberalism," in Towards a New

> When he took vigorous action in one direction it was axiomatic that he would contrive soon afterward to move in the conflicting direction. In the end he managed to work himself back close to the center spot of indecision from which he started.[7]

This lack of success in achieving a liberal domestic record, argued these scholars, could be attributed not only to Truman's weak leadership and limited ability but also to his basic lack of commitment to domestic reform. Had he sincerely desired such change, they pointed out, the President would have pressed Congress early in his first Administration for the reforms that he publicly advocated. When he did make liberal demands of Congress following the 1946 Democratic defeat at the polls, Truman did so mainly to win votes since he knew the proposals would never pass. Secondly, said the revisionists, had he been sincere, the President would have used executive action to gain at least part of the programs he professed to want. Furthermore, instead of trying to accommodate the conservative and liberal elements in the Democratic Party, he would have tried, or at least suggested, a realignment of the party system.[8]

Past: Dissenting Essays in American History, ed. by Barton J. Bernstein (New York, 1968), 307.

[7] Lubell, The Future of American Politics, 28.

[8] Ibid.; Griffith, "Truman and the Revisionists," 17; Bernstein, "America in War and Peace," 302-12; Bernstein, "The Presidency under Truman," 9.

In addition to presenting this revised picture of the Truman years, which reveals a weak, inept, vacillating President who did little to further reform, some of the revisionists also criticized the liberalism that Truman professed to espouse. They suggested that the so-called reform movements in twentieth century America constituted a failed liberalism. Contending that the New Deal and Fair Deal aimed primarily at protecting private property and corporate capitalism, they charged that these programs helped to raise the standard of living of mainly the organized portions of society, which for the most part meant middle and upper class citizens. Furthermore, this improvement often occurred at the expense of the unorganized, which usually meant the poor. In addition, some revisionists maintained that these "reform" movements many times were used unwittingly by the business elite to further their interests.[9]

The revisionists concluded that Truman and most liberals of the late forties and early fifties suffered from a "defective liberal analysis." These liberals, they charged, took a limited view of the economy which "suggested that poverty was disappearing and that welfare (and some reform programs) would greatly assist the marginal people who were assumed to be few."[10] They accepted the economic system as it was and rejected any radical change involving central planning and redistribution of wealth.[11]

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[9] Bernstein, "America in War and Peace," 264, 302-303; Barton J. Bernstein, "Economic Policies," in The Truman Period As a Research Field, ed. by Richard S. Kirkendall (Columbia, Mo., 1967), 122-23.

In an effort to answer some of these questions that revisionists have raised about the Truman Administration's achievements for and commitment to liberalism, this study will examine the specific area of Fair Deal electric power policies during the period 1949-52. Two factors make this topic a logical test case for this Administration's liberalism. First, since the Progressive Era, liberalism has included government concern with electric power, as will be demonstrated in the following chapter.

Second, little research has heretofore been done on this subject. Recently, liberal historians have included Truman Administration public power policies as evidence of its liberalism. In doing so, they have relied almost entirely on two works. One is the article by Richard Neustadt, referred to above, which merely includes rural electrification and public power among several "New Deal landmarks in social welfare and economic development" for which Truman managed to get "means for modernizing" from

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[10] Bernstein, "Economic Policies," 123.

[11] According to Barton J. Bernstein liberals gained new faith in the American economic system when the country avoided a postwar depression. They accepted big labor and big agriculture as "healthy pluralism that protected freedom and guaranteed an equitable distribution of resources." See "America in War and Peace," 302.

Congress.[12] The other is an unpublished Ph.D. dissertation by John R. Waltrip which concluded that "The Truman era was the period of the most extensive development of Federal power in United States history."[13] For example, in a study of the relationship between the Truman Administration and American liberalism, Alonzo L. Hamby based his conclusion that "Truman's domestic accomplishments represent an important chapter in the history of American liberalism" partly on this President's legislative record. Citing Neustadt, he called the Eighty-First Congress "the most liberal Congress in a decade." The only two examples Hamby provided of this liberal legislation were what he termed "substantial enlargement of social security and public power."[14]

Historian Robert Griffith, however, has questioned the basis for using accomplishments in the field of public power as evidence of the Truman Administration's liberalism.

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[12] Neustadt, "Congress and the Fair Deal," 575.

[13] John R. Waltrip, "Public Power During the Truman Administration" (unpublished Ph.D. dissertation, University of Missouri, 1965). This is the only study that has been done directly on the topic of public power in this period. It does not, however, interpret the Truman Administration's policies in this area in the light of liberalism. Waltrip maintains that the Truman Administration's record in expanding public power was achieved despite the existence of general prosperity, which meant there was no longer pressure for public works to relieve unemployment, the "newly found strength and determination of the private power industry" to oppose public power, a "large national debt and foreign economic commitments" that necessitated cutting expenditures and strong opposition in Congress. See 130-31.

[14] Alonzo L. Hamby, Beyond the New Deal: Harry S. Truman and American Liberalism (New York, 1973), 513-15.

He has suggested that increasing the Federal generating capacity almost 5 million kilowatts and Government transmission lines by nearly 13,000 miles did not constitute the triumph that Waltrip indicated. His conclusion was that private power was extremely successful in opposing the extension of Federal steam and transmission facilities into new regions. As a result, the Government began entering into agreements with private power companies which allowed them to buy Federally generated power and distribute it over their own lines. Noting also that Truman did not strongly support additional river basin organizational machinery on the model of the Tennessee Valley Authority, Griffith stated that his Administration "sacrificed centralized control and abandoned the New Deal goal of regional planning and development."[15]

This investigation of the Truman Administration's liberalism will be confined to the period 1949-52 for three reasons: (1) prior to 1949, as even liberal historians agree, Truman was indecisive about adopting a reform program, (2) as of that year he became President in his own right, pledged to support the liberal proposals he had put before the Eightieth Congress and to renew the New Deal as he had promised in the 1948 campaign and (3) it was at this point, following Truman's surprising victory at the polls, that, according to most liberals of the day, liberalism went on the offensive.[16]

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[15] Griffith, "Truman and the Revisionists," 27.

In order to conduct this study, it will be necessary first to describe American liberalism as it was at mid-century. To provide such a picture, one must discover how liberalism became what it was in the mid-forties and early fifties; therefore, the development of liberalism in the United States will be traced. Such an exercise will reveal liberalism's heritage, its ambivalence and its changing program. For change is inherent in liberalism. Although its general aims have remained the same, its means for achieving them have fluctuated according to the needs and conditions of the times.

II

Defining American liberalism can appear confusing because of the varying interpretations and disagreement among historians on the subject. In the 1920's, Progressive historians such as Charles and Mary Beard and Vernon Parrington saw the reform movement of the early part of the century as essentially a victorious "people versus the interests" effort. It was, they maintained, part of a continuing reform development that could be traced from Jefferson down through Jackson, the abolitionists and the Populists. Later liberal historians such as Arthur Schlesinger, Jr. substantially agreed with this interpretation and extended the line of reform to include the New Deal.[17]

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[16] Ibid., 21, 23; Athan Theoharis, "The Truman Presidency," 52-53; Hamby, Beyond the New Deal, 267-68; Bernstein, "Economic Policies," 111; Goldman, Rendezvous with Destiny, 330.

A valuable corrective to this rather simplistic interpretation of the reform tradition in America was provided by several scholars in the mid-fifties who looked at American development from a consensus point of view. Richard Hofstadter, who was the first to suggest this approach, rejected the class or ideological conflict explanation of American so-called "reform movements." However, he, along with George E. Mowry, did concern himself with conflicts that arose in society from deep, social division. These men contended that progressives would accept weak legislation like the Sherman Act because the progressive movement was largely a "status revolution" carried out by middle class men with psychological goals of regaining their position in society, which they feared was being usurped by big business and organized labor.[18]

Following up Hofstadter's suggestion, Louis B. Hartz, a political scientist, took an admittedly monistic approach by interpreting United States history in the light of a single Lockian tradition. For example, Hartz stated that the progressives failed to achieve conspicuous reforms because they, like all Americans, were part of this Lockian liberal tradition which extolled the merits of private property and the capitalist system. Therefore, they could not be expected to seriously threaten the dominant position of big business.[19]

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[17] Charles and Mary Beard, The Rise of American Civilization (New York, 1927); Vernon Louis Parrington, Main Currents of American Thought (3 vols., New York, 1927-1930); Arthur M. Schlesinger, The Age of Roosevelt (3 vols., Boston, 1957, 1959, 1960). Schlesinger characterized this reform tradition as basically the movement on the part of the other sectors of society to restrain the power of the business community.

[18] Richard Hofstadter, The Age of Reform: From Bryan to F.D.R. (New York, 1955), 135-66; George E. Mowry, The California Progressives (Chicago, 1951), 86-104.

Other historians have also helped break down the progressive liberal "people versus interests" view of American reform by pointing out the often conservative results of the twentieth century movements. Some of these historians, such as Samuel P. Hays and Robert H. Wiebe writing on the progressive movement and William E. Leuchtenburg and James T. Patterson on the New Deal, saw these conservative consequences as unintentional. Gabriel Kolko, however, argued that the whole aim of progressives was conservative and that the progressive era itself was characterized by "political capitalism" in which big business itself favored government intervention in order to foster a predictable and secure environment.[20]

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[19] Louis B. Hartz, The Liberal Tradition in America (New York, 1955), 237-53. While some "consensus" historians gave exception to the Civil War and the New Deal in their emphasis on the homogeneity of the American past, Hartz maintained regarding the former that the "'great conservative reaction'" on the part of Southerners was noted mainly for "the smallness of the impact . . ." it had on American political thought, and regarding the New Deal that it was "a movement within the framework of the liberal faith . . ."--a program "designed to fortify rather than to weaken enterprise." See ibid., 148, 259, 263.

The New Left or radical historians have lent weight to these arguments, as well, although they are critical of the consensus view of history. Noting that racial disparities and substantial poverty continue to exist in American society, many of these "revisionists" have suggested, for example, that not only did the New Deal fail to achieve many of its goals but a good many of its goals were conservative. Likewise, they argue that the liberalism in whose name the New Deal was effected was not actually liberalism at all if by that one means equality of opportunity for the poor, the powerless and the dispossessed.[21]

While each of these interpretations has merit, each has shortcomings. The progressive-liberal view is too simplistic and clear cut; the consensus approach often concentrates too heavily on the European experience, while the New Left allows the problems of the 1960's to influence its assessments of the New Deal.

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[20] Samuel P. Hays, The Response to Industrialism, 1885-1914 (Chicago, 1957); Samuel P. Hays, "The Politics of Reform in Municipal Government in the Progressive Era," Pacific Northwest Quarterly, LV (October, 1964), 157-169; Robert H. Wiebe, The Search for Order, 1877-1920 (New York, 1967); James T. Patterson, The New Deal and the States: Federalism in Transition (Princeton, N.J., 1969); Gabriel Kolko, The Triumph of Conservatism (New York, 1963).

[21] See, for example, Howard Zinn, "Introduction" to New Deal Thought, ed. by Howard Zinn (Indianapolis, 1966); Paul Conkin, The New Deal (New York, 1967); Barton J. Bernstein, "The New Deal: The Conservative Achievements of Liberal Reform," in Towards a New Past, ed. by Barton J. Bernstein (New York, 1968).

To arrive at a more satisfactory analysis of liberalism in America, one must deal with a number of problems. First, because of its considerable following and persuasiveness, the "consensus" argument must be explored. Actually, the idea of consensus can be useful in defining mid-century American liberalism. Such an approach helps clarify liberalism's intellectual heritage and, particularly, the ambivalence it carries. Historians who have concluded that there is but one tradition in America--the liberal tradition--usually begin by comparing it with the European experience. Unlike Europe, America had no feudal period; hence, it has had no real revolutionary tradition. It had no ancien régime; hence, it has had no reactionary tradition. Hartz argued that a society that begins Lockian has a "kind of self-completing mechanism" which makes certain that the whole society will adhere to the liberal principle.[22]

This lack of a feudal period explains, according to Hartz, why there has been no threat from socialism to the existing order in the United States. Although progressives in America, like the European liberal reformers, faced the problems of the rise of the proletariat and the inequities of a rapidly industrializing nation, unlike their European counterparts, they could not recognize the alignment of classes because of their commitment to the Horatio Alger ethos. New Dealers, clinging to the basic principles of

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[22] Hartz, The Liberal Tradition in America, 6-8.

Locke and Bentham, differed from the English Liberals and the French Radicals in that they were pragmatic and became "radical" because socialism and communism posed no threat to them, while European liberals were more theoretical and became "defensive before socialism and communism."[23]

As an explanation of liberalism, this consensus interpretation has two serious shortcomings. It denies that substantial conflict has occurred in American history, and it is incomplete because it does not explain how "America had in effect become conservative while still paying homage to liberal ideals."[24] One historian has convincingly argued that consensus covers only "those principles about which there is agreement," whereas real disagreement can be hidden by different interpretations of the same material.[25] Another has commented that Hartz's contention that Bryan and McKinley should have realized how alike they were "is like saying that Cain and Abel should have loved each other because they were Adam's sons."[26]

It is easy to agree with the consensus view that America was born liberal in the European sense. But to understand how the United States developed from that point forward, one must concentrate on the American experience; for, to continue comparing the American tradition to that of Europe would be to examine not "what America is, but what is not: a Non-Europe."[27]

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[23] *Ibid.*, 10, 231-35, 260.

[24] Ronald Lora, *Conservative Minds in America* (Chicago, 1971), 231.

[25] J. R. Pole, "The American Past: Is It Still Usable?" in *American Themes: Essays in Historiography*, ed. by Frank Otto Gatell and Allen Weinstein (New York, 1968), 462.

[26] Arthur Mann, "The Progressive Tradition," in *The Reconstruction of American History*, ed. by John Higham (New York, 1962), 171.

In focusing on the American context to explain liberalism, one is confronted with a second problem which concerns terminology. Ronald Lora has criticized the Hartz interpretation for "its failure to recognize that nonliberal traditions also existed."[28] What it actually failed to recognize, however, is that progressive traditions also existed; for, in the American context, the liberal tradition that Hartz described became essentially a conservative one--the nineteenth century portrait of property rights and laissez faire. On the other hand, those reformers who saw that the Lockian society was inadequate for achieving the goals of liberalism and advocated using new methods became the latter-day liberals in America. Often called "progressives" in the late nineteenth and early twentieth centuries, they were most often called "liberals" by the time of the New Deal.

To explain how this change occurred, it is necessary to account first for the nation's becoming conservative in the last half of the nineteenth century while still employing all of the verbiage of liberalism and, second, for the apparent contradiction between classical, laissez faire, individualistic, atomistic liberalism and modern, interventionist, cooperative, pluralistic liberalism.

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[27] Ibid.

[28] Lora, Conservative Minds in America, 231.

In the early years of the Republic, liberalism was commonly associated with a set of ideas and principles: freedom against authoritarianism in all areas of life, the dignity of man, the rule of law, popular sovereignty and representative government, equality of individuals before the law, rationality of man and man's ability to improve the world. In terms of these principles and beliefs, all founders of the American nation can be said to have been liberals. All accepted the Constitution as the basis of government; civil liberties were protected by a Bill of Rights; the republican expansion of the country was ensured by the Northwest Ordinance of 1787; a system of checks and balances was included in the Constitution that would force "various interests to check and control one another."[29] America fitted well into what J. Salwyn Schapiro has called the first stage of liberalism--classical liberalism.[30]

Early in the history of the nation, however, a fundamental cleavage appeared in this apparently homogenous picture which led to the second stage of liberalism--democratic liberalism. Like the bourgeois liberals of Europe, both the Federalists, for whom Alexander Hamilton became the spokesman, and the Republicans, with whom Thomas Jefferson was associated, agreed that freedom was to be based not on universal suffrage but on property. But whereas Hamiltonians looked upon government as "resting essentially on the compromise of particular interests" and wanted the country run by the "better" elements of society (the propertied and educated), Jeffersonians regarded a free society to be "sustained by the sense of the common interest."[31] Hamiltonians believed that if men were protected in their right to own and sell property, all worthy men would be free. Jeffersonians, on the other hand, wanted to make it possible for all men to acquire property. This would enable men to vote and at the same time provide them with stability and reliability. Hamiltonians assumed the existence of a natural aristocracy--a hierarchy of men in which those with innate characteristics of talent and worth would provide leadership in the society, while Jeffersonians believed that political devices like election by manhood suffrage could determine such an ordering.[32] Both groups provided ambivalent heritages. However, except for some praise of their methods by twentieth century liberals who espoused intervention in society by the Federal government, Hamiltonians by and large supplied the conservative tradition in America. The Jeffersonian Republicans provided a heritage that has been claimed by both conservatives and liberals, although perhaps more consistently by the latter.

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[29] Richard Hofstadter, The American Political Tradition and the Men Who Made It (New York, 1949), 9-10; see also J. Salwyn Schapiro, Liberalism: Its Meaning and History (Princeton, N.J., 1958), 9-13.

[30] Schapiro, Liberalism: Its Meaning and History, 32. Schapiro points out that in most countries liberalism has passed through the stages of classical liberalism, democratic liberalism and social liberalism.

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[31] R. M. MacIver, The Ramparts We Guard (New York, 1950), 79.

[32] See John Livingston, "Liberalism, Conservatism and the Role of Reason," The Western Political Quarterly, IX (September, 1956), 642-43.

Jefferson personified the ambiguity in American society. Pre-Civil War Democratic-Republicans looked to his beliefs in republicanism, democracy, the inherent goodness of man, an agrarian society, obedience to the Constitution, and opposition to centralized power. Federalists and National Republicans, however, stressed his conservatism while in office, his reconciliation of men and philosophies as President, his willingness to interpret the Constitution loosely (as in the case of the Louisiana Purchase) and his enlightened nationalism.[33]

Jeffersonianism gave impetus to the transition of liberalism to its democratic stage. Through Jefferson's leadership and writings, such ideas as free, public secular education; a minimum of government interference in the affairs of men; separation of church and state; freedom of speech and expression and manhood suffrage were propagated. Furthermore, the early phases of the industrial revolution and the availability of land made it fairly easy to acquire property. These conditions, in turn, created a demand for democracy so that in the 1830's the democratic stage of liberalism arrived, at least in the North and West. Acting realistically, the Whigs in 1840 jumped on the bandwagon~~,~~ as well, since it was obvious there was no advantage in praising a privileged class that now constituted a voting minority.[34]

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[33] Merrill D. Peterson, The Jefferson Image in the American Mind (New York, 1960), 9-25.

These pressures against political privilege culminated in the victory of Andrew Jackson as the hero of the common man. The result was a paradox. The Jacksonian movement broadened into a "fight against economic privilege"[35]; reformers became confused over how to carry on the Jeffersonian tradition and Schapiro's third stage of liberalism--social liberalism--was postponed. Jacksonians launched an appeal to "the people" (farmers, mechanics and laborers--men who had generally a stable, middle type of income). They did this by doing battle against those forces threatening to undermine the old Republican values and continuing what they saw as the perpetual struggle between the principles of Hamilton versus Jefferson, of monarchy against democracy, of loose versus strict construction of the Constitution, of strong versus limited government and of economic privilege versus equality of economic opportunity. But the flaw in this Jacksonian approach was that it failed to take into account the early phases of the industrial revolution. Inbued with the spirit of Jefferson, Jacksonians believed that a capitalistic society resulted from democratic principles, freedom for the individual, protection of property rights and limited government. Hence the paradox: in waging a war against privilege and in trying to return the country to the agrarian days of the Jeffersonian dream, Jacksonians in effect helped to clear the way for laissez faire capitalism with its attendant values and to check the only effective restraining power--government--because they considered such a power to be in itself undemocratic.[36]

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[34] Schapiro, Liberalism: Its Meaning and History, 80.

[35] Hofstadter, The American Political Tradition, 67.

The question of the United States Bank exemplified the difficulty Jacksonians had in applying a Jeffersonian solution to the problem of economic privilege: one group opposed the bank because it represented Hamiltonian federalism; another because it checked capitalist expansion through its control over state banks. One was looking back to the halcyon days of Jefferson, the other to an age of freedom of enterprise.[37] This split created a problem that would continue in later reform movements.

The question of means presented another difficulty. Jackson discovered that in order to break up concentrated wealth, he would have to increase the power of the state, but since a strong state was anti-Jeffersonian, he often had to effect the change "under a guise of anti-statism."[38]

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[36] Peterson, The Jefferson Image in the American Mind, 21-25, 73-81; Marvin Meyers, The Jacksonian Persuasion (New York, 1960), 3-16, 21-24, 31-52, 74-77.

[37] Peterson, The Jefferson Image in the American Mind, 78.

In a society Jeffersonian in spirit, it was understandable that a Jeffersonian rationale suggested itself for Hamiltonian developments. Wealth was acceptable if it did not carry with it any special political benefits and if everyone was equally free to compete for it. As Merrill Peterson has put it:

> At this point the Jeffersonian heritage entered into capitalist ideology, finding its ironic fulfillment after the Civil War when Jefferson was linked to Spencerian laissez faire philosophy and the Supreme Court invoked the Declaration of Independence to put property beyond the reach of the people's sovereignty.[39]

Reformers were thrown into profound intellectual confusion by the results of dramatic technological and industrial changes that occurred following the Civil War. They saw that entrepreneurs were beginning to accumulate vast amounts of wealth and to control great economic power, often exploiting both the natural and human resources of the country. However, partly because they were trapped by their Jeffersonian heritage, even reformers hesitated to question the economic-political program of the conservative classical liberals. For it was these laissez faire exponents who continued to use the language of liberalism--words such as "democracy," "liberty," "equality," "progress," and "individualism"--to continue the system as it was and to allow business to expand without government hindrance.

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[38] Arthur M. Schlesinger, Jr., The Vital Center: The Politics of Freedom (Boston, 1949), 176.

[39] Peterson, The Jefferson Image in the American Mind, 81.

Couched as it was in Jeffersonian phrases, laissez faire conservatism was not consciously conservative. Its advocates believed in their own propaganda--that it was the legitimate guardian of liberal democracy--but their application of the words "progress," "freedom" and "equality" put them definitely in the conservative camp. Their idea of progress meant industrial growth only; their idea of freedom meant freedom in the market place and to own property; their idea of equality meant equality of opportunity with no social or economic leveling.[40]

In addition to this language coup, there were other reasons why laissez faire conservatives were able to dominate the American intellectual scene with their philosophy. The most obvious is that everyone wanted a share in the economic feast. A second is that the overarching philosophy of Social Darwinism found easy acceptance in such a society. Proponents of this way of thinking held that if societies followed the "survival of the fittest" rule, progress would come and that the economic sphere was indistinguishable from the laws and institutions that made up the social order. Spokesmen such as Herbert Spencer, the English philosopher, and Andrew Carnegie, the American steel magnate, argued that social inequities should not be tampered with and all of the time-honored institutions of American life--family, church, school--"were asked to serve in the noble cause of economic liberty."[41]

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[40] Clinton Rossiter, Conservatism in American (London, 1955), 162-63.

No wonder then that "social" liberalism failed to emerge during the Gilded Age. Laissez faire conservatives often stole not only the reformer's terminology and his heroes, but also his methods. They appealed to democracy and individual freedom by pointing out the right of Carnegie and Rockefeller to economic liberty, used Jefferson and his freedom of the individual and anti-statism to impart respectability and reverence to their program and appealed to popular suffrage to extend their sway. All the while these conservatives presided over a system that advanced the interests of a few and concentrated on man almost exclusively as an economic animal while social inequities grew larger and larger.

It was not until the twentieth century when the intellectual climate regarding laissez faire began to change that an effective reform program took shape in America so that progressives, who were the antecedents of the liberals of the Roosevelt-Truman period, could begin the first steps toward the transition of liberalism to its "social" stage. The way had been paved for this shift in attitudes by writers and thinkers in a variety of fields who in the two decades preceding the turn of the century had been chipping away at the deterministic intellectual tides of the nineteenth century. Threatening the mechanistic ways of looking at life as advocated by Darwin, Spencer and others were such theories as the pragmatism of William James, which assumed a world that would respond to man's intelligence and that measured the worth of a belief by its consequences; the new sociology, which observed that laissez faire was not consistent with either nature or man; the new economics, which proposed to point the way toward ethics as a basis for social progress[42] and the social gospel movement, which suggested that in the face of widespread monopoly, churches focus attention on the social question of "instrumenting planned social and economic controls in the interests of justice."[43]

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[41] Ibid., 149. See also Walter Lippman, The Good Society (London, 1944), 181-82.

In the midst of this changing intellectual climate, farmers in the late nineteenth century began to formulate for the first time, in an organized way, plans for bettering their standard of living. The Granger movement, centered in the wheat growing states of Illinois, Wisconsin, Iowa and Minnesota in the 1870's, was a farmers' effort which looked to local and state governments to bring down high railroad transportation rates, high interest rates and high cost of machinery. The Greenbacker movement of the late seventies and early eighties promised to raise farm prices through inflated currency, and the Populist Party of the 1890's combined farmers and some urban labor with the objective of fighting monopoly to gain economic relief for both groups.

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[42] Henry Steele Commager, The American Mind (New Haven, 1950), 212; George E. Mowry, The Era of Theodore Roosevelt and the Birth of Modern America, 1900-1912 (New York, 1958), 22.

[43] Sidney E. Mead, "Protestantism Since the Civil War," in The Shaping of Twentieth-Century America, ed. by Richard M. Abrams and Lawrence W. Levine (Boston, 1965), 117.

Around the turn of the century, with their products bringing higher prices, farmers became less interested in reform. The middle class, meanwhile, complained of rising prices and, with further consolidations of large businesses into trusts, worried about losing both their economic and social positions. These middle-class Americans also turned to local and state governments for aid against the trusts and special interests, which they blamed for their troubles.

This new collection of reformers, called progressives and made up of farmers, laborers, middle-class professionals, and intellectuals, along with their predecessors, the Grangers, Greenbackers and Populists, were the new liberals. Their goal was reform of the system. Swayed by the shift in emphasis to economics in all spheres of American life which had occurred in the "Gilded Age," these reformers now advocated the use of political authority to mitigate the often harmful effects of rapid technological change and to broaden the benefits of the industrial growth so that as much of society as possible would be included.

But this is not to say that liberalism was once again homogenous. While most of these progressives agreed that the state would have to be used to reach their goals, they differed over to what extent and for what purpose positive government should be employed--a cleavage in liberalism which persisted into the New deal and which constitutes one of the ambiguities of mid-century American liberalism.[44] One wing of the progressive movement--the intellectual heirs of Populism--looked back to the golden days of pre-industrial America. Wanting to return to a simpler economy, these Populist-progressives advocated breaking up trusts in order to force business back to a competitive situation. These reformers, for whom Robert LaFollette became a spokesman stressed the "people against the interests" theme.[45]

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[44] This cleavage illustrates the fact that the liberal tradition in America is more complex than either the "people versus the interests" interpretation of the progressive historians or the "non-business sectors versus the business sector" interpretation of Schlesinger; however, as will be shown, it does not mean there was no liberal tradition in America.

[45] Although he did not come from Populist country and although he resembled urban progressives in his use of experts in government, LaFollette early in his career allied himself with the farmers in Wisconsin and became a spokesman for the Populist-progressives in the country. In his three terms as governor of Wisconsin, LaFollette inspired the most comprehensive reform program in the history of American state government up to 1933: the direct primary law, efficient railroad and civil service commissions, increased taxes on railroads and corporations, a civil service act, an anti-lobbying act, a conservation and water power franchise act and a state banking control act. See Theodore Salutos and John D. Hicks, Agricultural Discontent in the Middle West, 1900-1939 (Madison, Wisc., 1951), 34-35.

They accused the big-moneyed interests (especially those in the East) of threatening the very existence of the farmer and small businessman. Believing that trusts had attained their position of dominance through special privilege or the use of "unfair practices," these reformers advocated legislating away these favors and freeing "the credit system from Wall Street control."[46]

Another group--the "urban-oriented progressives"--acknowledged the inevitability of industrial concentration as well as its concomitant advantages of efficiency and productivity. They favored relying on government regulation to control the corporations and to protect and encourage the laboring man and other groups so that "the benefits of modern industrialism" would be "more evenly distributed."[47]

This dichotomy over methods in the new liberalism became focused in the 1912 presidential campaign in the debate over Woodrow Wilson's "New Freedom" and Theodore Roosevelt's "New Nationalism."[48] Roosevelt's program was the better defined. Founded on Herbert Croly's thesis that Hamiltonian means (strong government) should be employed to achieve Jeffersonian ends (democratic), it called for using the Federal government to control corporations and to achieve social justice. Wilson's New Freedom was less clear. It too required some state intervention to decentralize the economy (at times Wilson and La Follette seemed to be saying that the Sherman Act methods could sweep back the tide of consolidation), but it promised little in the way of social welfare.

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[46] Ellis Hawley, *The New Deal and the Problem of Monopoly: A Study in Economic Ambivalence* (Princeton, N.J., 1966), 7.

[47] *Ibid*. For a detailed discussion of these two strains of the early progressive movement, see Phyllis R. Lombard, "The Progressives and the World Court Dispute in the Senate, 1920-1926" (unpublished M.A. thesis, University of Alberta, 1969), 3-44.

[48] Although the difference in these two programs was at times fuzzy, a number of historians have considered it significant. See, for example, Arthur Link, *Woodrow Wilson and the Progressive Era, 1910-17* (New York, 1954), 18; Goldman, *Rendezvous with Destiny*, 162-68.

In trying to explain modern American liberalism, some historians have seized on this common denominator of these two wings--the belief in the necessity of a positive state--as the main characteristic of progressive liberalism. This common pitfall constitutes a third problem in trying to reach an understanding of liberalism because such an approach, which confuses means with ends and methods with philosophy, can lead to erroneous conclusions. For example, by following this approach and noting that Alexander Hamilton and Franklin D. Roosevelt both favored government intervention in society and that both Calvin Coolidge and Thomas Jefferson opposed the extension of the power of the Federal government, one might conclude that there has been no real reform movement in the United States.

To look merely at methods rather than at goals is to neglect the great transformer--the post-Civil War industrial revolution. While prior to this momentous development, a laissez faire policy seemed the best means to achieve the liberal goal of equality of opportunity, the growing industrial order and its resultant inequalities made it obvious to many, including strongly individualistic farmers, that government must be called on for aid and protection.

Even if the industrial revolution is considered, emphasizing the positive state and concentrating on means rather than goals can still lead to inaccurate conclusions about the nature of liberalism and its followers. For example, by these criteria, Herbert Hoover could be called a liberal. He favored active government while in the cabinet and as President showed a willingness to use the government in limited ways to combat depression. But Hoover's laissez faire philosophy (which is clearly delineated in his American Individualism[49]) kept him from taking the kind of decisive steps that were needed to deal with the depression, alleviate human suffering and get all sectors back on their feet. His unwillingness to begin a Federal relief program, except for the Reconstruction Finance Corporation (which was really undertaken to aid private business); his intransigence on the principle of voluntarism in his program to get business, labor and agriculture to help revive the economy; his refusal to approve direct Government aid to individuals; all these demonstrate

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[49] Herbert Hoover, American Individualism (Garden City, N.Y., 1929).

Hoover's essential conservatism.[50]

Also misleading if one emphasizes methods rather than goals in analyzing liberalism is the fact that since the industrial revolution some conservatives have cooperated with liberals in advocating the positive state to serve their own ends. For example, some business leaders during the progressive era propounded what has been called the "new capitalism." Men like George W. Perkins (financier from the House of Morgan) and Frank Munsey (publishing tycoon and stockholder in United States Steel Corporation) sought to deal with the problems created by business concentration by allowing businessmen to regulate and discipline themselves. By cooperating and eliminating cutthroat competition, they sought to rationalize business, make it more efficient and profitable for all, upgrade ethics and solve social problems of poverty and class conflict.[51] This approach reached dominance in the twenties with the great increase of the trade associations that had been created during World War I for planning production and utilizing the nation's resources efficiently. As Secretary of Commerce, Hoover helped organize trade associations and standardize products. Moreover, after 1925 the Federal Trade Commission no longer discouraged trade associations or business arrangements designed to curtail competition. Government and business were to cooperate; government intervention was fine if it was conducted by business-oriented politicians.[52]

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[50] Hofstadter, American Political Tradition, 283-314.

[51] Hawley, The New Deal and the Problem of Monopoly, 8-9; Goldman, Rendezvous with Destiny, 160. See also Kolko, The Triumph of Conservatism. Kolko interprets the "progressive Era" as essentially a period of conservatism in which key business and financial interests turned to the Federal government to "rationalize" the economy, that is, organize it and the larger political and social spheres so that corporations could function in a predictable and safe environment. He shows that business men initiated and backed legislation providing for regulation of life insurance, meat packing and trusts by the Federal government.

This "new capitalism" or "associational" approach as exemplified by Hoover's methods and the trade associations of the twenties can be found, along with the New Freedom and New Nationalism elements, running through American twentieth century liberal programs. This mixture, which has caused confusion about the nature of American liberalism, can be understood only if one keeps in mind the American heritage. Americans, who had long cherished their individualism and democratic traditions, were facing in acute form by the time of the New Deal the dilemma of how to reconcile "liberty and order, individualism and collective organization." They wanted a stable and efficient economic order that would produce an abundance of goods to insure comfort, high employment and security. At the same time they desired a minimum of centralized control to preserve as open a society as possible. They wanted some arrangement that would maintain the industrial order--realizing that this would necessitate a collective element--but they also wanted to keep their democratic traditions.[53] These ideas were reflected in the New Deal programs which were, as was Franklin Roosevelt himself, a "potpourri of the three major programs . . ."--associational, New Freedom and New Nationalism.[54]

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[52] Hawley, The New Deal and the Problem of Monopoly, 8-11; William E. Leuchtenburg, The Perils of Prosperity, 1914-32 (Chicago, 1958), 190; Goldman, Rendezvous with Destiny, 237-39.

During times of prosperity, these three strands tended to blend together. In the twenties, for example, when, with the exception of farmers, the majority of Americans were enjoying a rising standard of living, there was little agitation on the part of advocates of the other two methods to decrease the associational influence or to change the industrial set-up. New Freedom reformers were generally satisfied if some nominal regard was paid in the law and by political leaders to the ideal of individualism and free competition, and New Nationalism reformers were usually content with the statutes and commissions which made some attempt at regulating big business.[55]

During the depression, however, most people awoke to the fact that all was not well and differences among

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[53] Hawley, The New Deal and the Problem of Monopoly, 472-73.

[54] Goldman, Rendezvous with Destiny, 254.

[55] Hawley, The New Deal and the Problem of Monopoly, 474.

reformers surfaced again. Given the background of the reform tradition in America, with one segment believing that the trouble was caused because industry had not allowed competition and another believing that it had resulted from insufficient government regulation and planning, it was inevitable that "both streams of sentiment" would be registered in the "policy-making apparatus of a democracy." Because these sentiments were so intertwined in the ideology of the average American, a party, in order to stay in power, would have to take many inconsistent actions. It would have to provide some central direction, save economic groups by setting up cartels and economic controls while at the same time encourage competitive ideals and convince people that the aim was to help the "little man."[56]

It was thus natural in these circumstances, for the New Nationalist and associational advocates to join forces in certain respects since both agreed that large economic units should be formed and that government should play a significant role in economic life. At the same time, at least lip service would have to be paid to New Freedom methods. Merger of New Nationalism and associationalism was exemplified in the Brains Trust, in the National Industrial Recovery Act and in the Agricultural Adjustment Act. Men like Raymond Moley leaned toward the associational approach with planning by partial cooperation, whereas those like Rexford Tugwell wanted over-all, compulsory government planning. Both the National Industrial Recovery Act and the Agricultural Adjustment Act were worded so that either approach could be employed.[57]

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[56] _Ibid._, 475.

While the idea and machinery for Federal compulsion were there, the associationalists won the upper hand in the early New Deal. Under Hugh Johnson's administration, the National Recovery Administration's price and production controls and code authorities favored the business view; and the "codes of competition," intended as a recognition of the importance of the anti-monopoly sentiments of the New Freedom philosophy, actually set up monopolistic controls and benefited already wealthy and powerful groups in society. Under George Peek, the Agricultural Adjustment Administration's production controls and marketing agreements favored large-scale farmers, processors and distributors.[58]

Around the time of the invalidation of the National Industrial Recovery Act and the Agricultural Adjustment Act by the Supreme Court in 1935 and 1936, New Freedom advocates began to gain a greater voice. Historians disagree as to the abruptness of this change in policy, as well as to whether the shift was to the right or to the left. But, generally speaking, emphasis was no longer placed on economic planning and regulation, which came in large part from the ideas of Thorstein Veblen. Constituting a shift to the ideas of John Maynard Keynes and Louis Brandeis, the concentration now lay on developing a competitive capitalism tempered by Government progressive taxation and spending, regulation of utilities and a social security system. More attention was to be paid to the needs of the small farmer and the laboring man. At the core of this thinking was the "subsidized, regulated welfare capitalism" that remains today.[59]

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[57] Ibid., 476-82; Goldman, Rendezvous with Destiny, 258-65.

[58] Hawley, The New Deal and the Problem of Monopoly, 476-82; Goldman, Rendezvous with Destiny, 258-65.

But never did one of the three groups capture the stage completely. Because of circumstances and American ideology, the pendulum continued to swing as it had in the past. From the National Recovery Administration experience, it was learned that because of political exigencies, planning had to be partial and piecemeal. Pro-business planners, inspired by the associational ideas of the twenties, could not put their ideas of a "semicartelized business commonwealth" into practice because of the competitive, laissez faire ethos widely adhered to by Americans. Economic planners who wanted the state or organized economic groups to hold the monopoly of power likewise held politically nonfeasible ideas that "ran counter to competitive and individualistic traditions" and "threatened important vested interests."[60] With only limited planning possible, little incentive for business expansion resulted when the depression demanded an expanding economy. Hence, Government spending seemed the answer. But President Roosevelt did not choose the path until April of 1938 as a response to the depression of 1937, and he employed large-scale spending only because involvement in the Second World War demanded it.

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[59] Conkin, The New Deal, 13. See also Basil Rauch, The History of the New Deal, 1933-1938 (New York, 1944), chaps. 4, 8, 10; Arthur M. Schlesinger, Jr., The Politics of Upheaval (Boston, 1960), chaps. 21, 22; James M. Burns, Roosevelt: The Lion and the Fox (New York, 1956); Rexford G. Tugwell, The Democratic Roosevelt (Garden City, N.Y., 1957), chap. 16; William E. Leuchtenburg, Franklin D. Roosevelt and the New Deal, 1932-1940 (New York, 1963), 162-66.

A flurry of anti-trust action in the New Freedom spirit also occurred as an answer to the 1937 downturn, but, again, any serious program of trust-busting was politically impossible. Although the Administration's call for an investigation into business consolidation, which led to the investigation by the Temporary National Economic Committee, looked like a possible return to the old Populist-progressive tactics, the Thurman Arnold campaign was thwarted by American economic ideology. Vested interests were not dislodged, and the war-time patriotism dampened what enthusiasm there was for breaking up trusts among Americans who blamed big business for the depression.

Although the varying strains of the liberal heritage could still be discerned in New Deal liberalism, the trust-busting, New Freedom element had been downgraded, and liberals, in general, took a more "acquiescent attitude toward big business."[61] Not a preconceived plan, the idea of counterorganization had come to play an important role in the Administration's program. There were hints of it in the early New Deal--in the Agricultural Adjustment Act, in the labor section of the National Industrial Recovery Act and in the attempts to organize councils with representation from industry, labor and consumers to participate in the code-making process. Through a piecemeal program, which often resulted from pressure group suasion and from a need to solve immediate problems, Government encouraged the counterorganization of producer groups other than the business element.[62] For agriculture, Government, with the two Agricultural Adjustment Acts, used public power to "fix prices, plan production and regularize markets," giving it the "advantages of corporate organization." For labor, Government, with the Wagner Act, paved the way to counterorganization "by removing legal obstacles and curbing the power of labor's opponents." Unorganized and unable to make himself heard, the consumer, however, did not figure in this picture of counterorganization.[63]

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[60] Hawley, The New Deal and the Problem of Monopoly, 476, 481.

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[61] Hofstadter, *The Age of Reform*, 314.

[62] Arthur M. Schlesinger, Jr., *The Coming of the New Deal* (Boston, 1958), 38-39, 92-93, 128-29; Hawley, *The New Deal and the Problem of Monopoly*, 187-204; Hofstadter, *The Age of Reform*, 314-16.

[63] Hawley, *The New Deal and the Problem of Monopoly*, 192, 195, 203-04. See also John K. Galbraith, *American Capitalism: The Concept of Countervailing Power* (Boston, 1952); David B. Truman, *The Governmental Process: Political*

Thus, as Ellis Hawley has pointed out, because of the conflicting ideas that have been intertwined in American history and that underlay the paradox of liberal thought in industrial America, New Deal reform had to adjust to the fact that neither the New Freedom, the New Nationalism nor the associational ideas could entirely displace the others. New Deal liberalism in 1941 was a blend of these economic ideas: "private controls, partial planning, compensatory governmental spending, and occasional gestures toward the competitive ideal."[64] Socially, the New Deal strived to provide more security by passing the Social Security Act of 1935, the Home Owners Loan Corporation Act of 1933 and the Farm Security Administration Act of 1937. Although it did carry an equalitarian tone that surpassed the earlier reform movements, the New Deal provided little

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Interests and Public Opinion (New York, 1955); Grant McConnell, Private Power and American Democracy (New York, 1966); R. Alan Lawson, The Failure of Independent Liberalism, 1930-1941 (New York, 1971), 19-36; Daniel Bell, The End of Ideology (Glencoe, Ill., 1960), 80-83. Power wielded by organized interest groups has long been a feature of American democracy. These groups and the strength of their power greatly increased with the tremendous growth of fortunes and business combines following the Civil War. As R. Alan Lawson explains, reformers could react to this development in two ways: "accept the disintegration of community and strive for a fair balance between fragmented groups and interests, or they could seek a principle or common program that would fuse the scattered elements of culture into a new whole." The idea of balancing appealed to most progressive reformers so that ultimately a pluralism of power blocs became the outstanding feature of American life. The New Deal was able to "establish the national political interest group as the dominant power broker." Lawson, The Failure of Independent Liberalism, 20-21.

[64] Hawley, The New Deal and the Problem of Monopoly, 490-91.

toward enforcing equality in public housing and government jobs.[65]

With the entry of the United States into international conflict in 1941, liberalism and reform were subordinated to the war effort. This reordering of priorities was made public when Roosevelt stated at a press conference in 1943 that "Dr. Win the War" would take precedence over "Dr. New Deal" for the duration.[66]

However, liberals were planning to revive the New Deal once the war was ended with the goal of providing opportunity, security and freedom for all citizens. Inspired by Alvin Hansen, the publicist, one group, which advocated using the methods of the latter New Deal--limited intervention of government and Keynesian emphasis on fiscal and monetary policy--gained ascendancy over those who preferred direct and detailed governmental social and economic planning as inspired by John Dewey and Thorstein Veblen. Liberals of both groups hoped to achieve equality of opportunity for the Negro by making permanent and strengthening the Fair Employment Practices Commission, established during the war, and abolishing the poll tax and other means of preventing the Negro from voting. A further aim was to greatly broaden the social security system.[67]

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[65] Goldman, Rendezvous with Destiny, 287-89.

[66] Samuel I. Rosenman, ed., The Public Papers and Addresses of Franklin D. Roosevelt, 1943; The Tide Turns (New York, 1950), 569-73.

Liberals in this period were strongly influenced in their attitudes toward domestic problems by their interpretation of the war as a life and death struggle between democracy and fascism. Their great fear of totalitarianism at home constituted part of their reason for advocating a full-employment program at the end of the war; for, if deflation were to recur with the conversion to a peace time economy and men were unemployed, they might easily succumb to the blandishments of right-wing demagogues. Furthermore, because of this fear, liberals changed their usual attitude toward civil liberties, urging, for example, that pro-fascist journals be curbed.[68] They did not, however, go as far as progressives had in this regard during World War I.

Another aspect of liberalism in the war period which was linked with this dread of fascism and which also reveals continuity with the progressives was a distaste for corporate power and monopoly. Liberals accused businessmen of using war production for profiteering and as a means to cripple labor. Liberals like Daniel Bell and Maury Maverick intoned that the struggle against fascism must also be a battle against monopoly. Anti-trust action was a tool urged to be used by such men as Henry Wallace who in 1942 was an important liberal. Wallace seemed to equate American fascism with corporate power.[69]

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[67] Hamby, Beyond the New Deal, 4-5, 8-12; Mary H. Hinchey, "The Frustration of the New Deal Revival, 1944-46" (unpublished Ph.D. dissertation, University of Missouri, 1965), 1; Arthur M. Schlesinger, Jr., The Politics of Hope (Boston, 1949), 68-69.

[68] Hamby, Beyond the New Deal, 5; Goldman, Rendezvous with Destiny, 302-08.

Just as this fear of fascism at home affected the liberals' domestic program, so did the fear of revival of militarism and a third world war influence their attitude toward foreign policy. Now almost solidly internationalist, liberals planned a New Deal for the world in much the same way that progressives at the beginning of United States involvement in World War I hoped to carry progressivism abroad. They aimed to create a world of peace, economic well being and democracy.

Reacting to pressures from liberals, Roosevelt took a number of steps to insure revival of the New Deal after the war. He in effect gave the National Resources Planning Board power to coordinate and review all post-war planning of domestic policy in the Executive Department. In further progressive moves, President Roosevelt encouraged Congressional liberals to introduce river valley and civil works legislation, reiterated his approval of the St. Lawrence Valley project and committed his administration to full employment after the war. In addition, he appointed the spokesman for urban liberals, Henry Wallace, to his cabinet.[70]

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[69] Hamby, Beyond the New Deal, 6-7, 26.

[70] Hinchey, "The Frustration of the New Deal Revival," 1-19; Hamby, Beyond the New Deal, 12. The commitment to post-war full employment was advised in a policy paper drawn

Roosevelt appeared to embrace Hansen's philosophy when he used the Hansen influenced National Resources Planning Board's report as a basis for the Economic Bill of Rights in his 1944 State of the Union Message. This report, which Alonzo Hamby has called "a landmark in wartime liberal thought," foresaw "an expanding democratic economy unhampered by monopolistic restrictions." It would employ Keynesian and Brandeisian tools for economic methods and called for a "new Bill of Rights":[71]

> The right to work, usefully and creatively through the productive years;
>
> The right to fair play, adequate to command the necessities and amenities of life in exchange for work, ideas, thrift, and other socially valuable service;
>
> The right to adequate food, clothing, shelter, and medical care;
>
> The right to security, with freedom from fear of old age, want, dependency, sickness, unemployment, and accident;
>
> The right to live in a system of free enterprise, free from compulsory labor, irresponsible private power, arbitrary public authority, and unregulated monopolies;
>
> The right to come and go, to speak or to be silent, free from spying of secret political police;
>
> The right to equality before the law, with equal access to justice in fact;
>
> The right to education, for work, for citizenship, and for personal growth and happiness; and
>
> The right to rest, recreation, and adventure, the opportunity to enjoy life and take part in an advancing civilization.[72]

Roosevelt's speech was an eloquent expression of the American liberal ideal as it existed when Harry Truman

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up by Budget Director Harold D. Smith and others with Alvin Hansen as a consultant.

[71] Hamby, Beyond the New Deal, 11-12.

[72] Quoted in Alonzo L. Hamby, "Harry S. Truman and American Liberalism" (unpublished Ph.D. dissertation, University of Missouri, 1965), 10-11.

succeeded to the Presidency in 1945. Uniquely American in its heritage, this liberalism still included, as it had from the nation's beginnings, the principles of individual liberty, dignity of man, the rule of law, popular sovereignty, representative government and equality before the law. Its large goal, as simply and aptly expressed by a writer for the Nation was "to secure for each member of society the greatest degree of freedom and welfare compatible with the freedom and welfare of all."[73]

With the flux of time, however, liberals changed their methods and paths for achieving their goals. They were no longer troubled about using the means of Hamiltonian Federalism but instead emphasized that only by employing the tool of government intervention in society could the welfare of all citizens be guaranteed. Political authority, they believed, should and could be employed to broaden the benefits of industrial growth since freedom should never mean freedom to exploit.

Liberals had long since rejected laissez faire capitalism, which had become a tenet of conservatism. On the other hand, they also repudiated compulsory centralized planning and nationalization of industries, which they associated with radicals and socialists.

Because of its heritage, liberalism at mid-century still contained a mixture of its New Freedom, New

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[73] Robert Bendiner, "Politics and People," The Nation, March 26, 1949, 349-50.

Nationalism and associational strains. It included, to some extent, the ideas of "people versus interests," breaking trusts, partial planning, government spending, regulation of corporations, strengthening of labor, progressive taxation and a system of social security. However, the aspect that was ascendant at this point in time was the liberalism of the later New Deal. Both planning by partial cooperation with business and overall government compulsory planning had been cast aside. The methods for achieving the goals of liberalism included concentration on economic growth and an enlarged social assistance program to bring opportunity and security for all. Sanctioning a system of regulated welfare capitalism, liberalism now encompassed the broker state, theory of countervailing power and political pluralism.

III

To determine how well the goal of liberalism was furthered during the years 1949 to 1952, when Truman was President in his own right, it is necessary first to examine to what extent he fostered this philosophy during his first Administration from 1945-1949.

Truman inherited a deadlock between the Executive and the Legislature. In Congress a conservative, anti-New Deal coalition had arisen over Roosevelt's Supreme Court-packing plan. This helped to widen the gap between the two extremes of the Democratic Party. It was this situation, however, that had made it possible for Harry Truman to be nominated for the Vice-Presidency in 1944 and hence to become President in 1945. By creating a need for compromise, it allowed a "border state" type politican to be chosen.[74] In 1944 the need for someone acceptable to the warring wings of the Party was crucial, and his record in the Senate made Truman a likely choice. As chairman of the Defense Investigating Committee, established in 1941, he had earned the respect of conservatives and liberals alike. Although Truman had a consistent record of supporting the New Deal prior to the rift in the Party, his re-election as Senator had been opposed by Roosevelt, and once the split had developed, he had wandered from one camp to another.[75]

While this division in the Democratic Party had allowed Truman to be placed in the line of succession to the Presidency, it, along with the anti-New Deal coalition in Congress, worked to frustrate his attempts to fulfill Roosevelt's promise of a New Deal revival. From the very beginning, Truman "committed himself to the international and domestic program of his predecessor." However, he had to move carefully because of the opposition in Congress.[76] Therefore, Truman waged a largely defensive action in this area in the early months of his Presidency. While in press conferences he supported liberal legislation pending before Congress, rarely would the new President "commit himself to the details of a program."[77] Furthermore, Truman sidestepped decisions on such matters as the establishment of a Missouri Valley Authority and the return of the United States Employment Service to the states.

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[74] See Lubell, The Future of American Politics, 30, which describes these Democrats as not necessarily coming from border states (although Truman did) but primarily as representing a certain "state of mind." The border Democrats supported Roosevelt's foreign policy but "were middle of the roaders on domestic issues."

[75] Ibid., 31; Hinchey, "The Frustration of the New Deal Revival," 56-67.

At times during this period, however, Truman moved more positively toward liberalism. He reappointed David E. Lilienthal as Chairman of the board of the Tennessee Valley Authority and defended the Fair Employment Practices Commission against conservative attack.[78] In addition, Truman revealed in a Twenty-one Point Message to Congress in early September 1945 that he planned to revive the New Deal.

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[76] Hinchey, "The Frustration of the New Deal Revival," 82. This Congressional coalition had demonstrated its power and determination in June 1943 when, despite a personal appeal from Roosevelt, it, along with Army Corps of Engineers partisans, had gotten legislation passed that abolished the National Resources Planning Board and even prevented any other agency from assuming its functions. See ibid., 8; Hamby, Beyond the New Deal, 12; Arthur Maass, Muddy Waters, The Army Engineers and the Nation's Rivers (Cambridge, Mass., 1951), 196-97.

[77] Hinchey, "The Frustration of the New Deal Revival," 103. For example, he endorsed expansion of social security in press conferences of May 2 and June 1 but not the specific legislation that lay before Congress. See U.S. President, Public Papers of the Presidents of the United States (Washington, D.C., 1945-53), Harry S. Truman, 1945, 38, 82; hereafter cited as Public Papers: Truman (with year).

[78] See Hinchey, "The Frustration of the New Deal Revival," 1-7, 12.

This message, which outlined a comprehensive program for reform, caused liberals to cease doubting the President and to conclude, at least for the moment, that he was one of them.[79]

However, by asking for so much,[80] Truman made it easier for his conservative opponents in Congress to block or defeat his proposals. Furthermore, when his strategy of trying to unite his party failed, the left wing became disenchanted with the President's leadership. Labor, noting that no helpful economic legislation appeared forthcoming, turned to strikes to try to protect its purchasing power. Truman felt he had to oppose this response because of the threat of inflation. These factors, as well as the exit from the Cabinet of Secretary of the Interior Harold L. Ickes and Secretary of Agriculture Henry Wallace, whom liberals admired, led to the disastrous defeat of the Democrats in the 1946 elections.[81]

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[79] Hamby, Beyond the New Deal, 61-62.

[80] The plan included a Federal housing program, increased unemployment compensation, minimum wage rates, a Federally run United States Employment Service, a permanent Fair Employment Practices Commission, continued price and rent controls to maintain economic stability during reconversion to a peacetime economy, full employment legislation and public development patterned after the Wallace-Hansen program, broadened social security and a national health scheme. See Bernstein, "The Presidency Under Truman," 8.

[81] Ickes, the old Bull Mooser who had been a Roosevelt supporter and had served in his cabinet since 1933, resigned after a disagreement with Truman over the President's nomination of Ed Pawley to be Under Secretary of the Navy, while Wallace was dismissed over a disagreement on foreign policy in which he disapproved of what he thought was a

Following this rout at the polls, Truman was faced with not only an increasingly fragmented party, but a polarization of liberalism as well. Divided over the issue of Communism, liberals were lining up either with the followers of Wallace in the newly formed Progressive Citizens of America or with the also new Americans for Democratic Action, which declared its rejection of "any association with Communists or sympathizers."[82] During the first half of 1947, both of these groups criticized the President for following what they regarded as conservative policies.[83]

By mid-year, however, most liberals, except for the Progressive Citizens of America, began to rally around Truman again as he began to take a more progressive approach.

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change to an unfriendly policy toward Soviet Russia. See Hinchey, "The Frustration of the New Deal Revival," 3, 156-235; Hamby, Beyond the New Deal, 71-74, 132-34, 141; Bernstein, "Economic Policies," 100-05.

[82] Quoted in Hamby, Beyond the New Deal, 162. The National Citizens Political Action Committee, which was set up as a liason between the Congress of Industrial Organization and reform groups, and the Independent Citizens of the Arts, Sciences and Professions, which was made up scientists, writers, artists and show business people and which was the most heavily Communist infiltrated liberal group, merged in December 1946 to form the Progressive Citizens of America. The Americans for Democratic Action was formed early in 1947 after the Union for Democratic Action was dissolved. See ibid., 16, 159-62.

[83] Examples were the injunction won by the Administration when John L. Lewis called a strike in violation of a contract with the Government which liberals feared would jeopardize the anti-injunction provision of the Norris-LaGuardia Act, the loyalty security program which had earmarks of a witch hunt, and the failure on the part of the Administration to deal with inflation; see Hamby, Beyond the New Deal, 170-73.

The President announced the Marshall Plan in June.[84] He urged Congress to enact a national health insurance program and other reform measures that he had proposed in January. He vetoed the anti-labor Taft-Hartley Act and the Republican tax cut measures (although both were passed, with modifications, over his veto). And, finally, Truman called a special session to deal with inflation and foreign aid problems in October.[85]

Abandoning hope for Congressional action on his reform proposals, Truman began building a record for the 1948 campaign. Some of the requests he made of Congress were intended mainly to win votes rather than to secure legislation since Congress had by its earlier opposition given "Truman the luxury of creating a record of liberal demands without responsibility."[86]

The President continued to employ this strategy throughout 1948. He outlined a large-scale, liberal social and economic program in his State of the Union message in January, made a "non-political" tour of the West stressing the unwillingness of the Eightieth Congress to act in the interests of the people in June and called Congress into special session in July, asking it to pass every major liberal proposal he had suggested since January 1947.[87] Enacting only a measure to provide some credit control and some home building, the Congress provided Truman with a powerful campaign weapon. His "do-nothing" characterization of that body seemed especially appropriate.[88]

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[84] This plan, in which the U.S.S.R. was asked to join, envisioned a cooperative effort to rebuild Europe.

[85] Hamby, Beyond the New Deal, 183-86; Susan B. Hartman, Truman and the 80th Congress (Columbia, Mo., 1971), 22-127.

[86] Bernstein, "The Presidency Under Truman," 9; see also Hartman, Truman and the 80th Congress, 128, 213; Bernstein, "Economic Measures," 106; Hamby, Beyond the New Deal, 237.

As he campaigned in 1948, the President appealed strongly to liberalism and the old New Deal coalition. However, while many liberals supported him, a good number were unenthusiastic. The Americans for Democratic Action backed the President largely as an anti-Wallace move; Ickes endorsed him but privately said he thought Truman could not win; The New Republic supported the President because it considered him the best available candidate.[89]

With the Democratic Party split by the Wallace secession on the left[90] and the "Dixiecrat" splinter on the right, few expected Truman to win the election. However, when the great personal victory came in November, most liberals agreed that it represented a triumph not only for Harry Truman but also for progressivism, the New Deal and the Franklin Roosevelt heritage. The New Republic commented: "Nothing less than a new era of reform has been demanded by America and nothing less will Americans accept."[91]

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[87] Hartman, Truman and the 80th Congress, 128, 197; Hamby, Beyond the New Deal, 212, 234-39, 247.

[88] Hamby, Beyond the New Deal, 247-48.

[89] Ibid., 258-59.

[90] Wallace was running at the head of the bolted extreme left group of the Democratic Party, which was Communist infiltrated, on a Progressive Party ticket; see Hamby, Beyond the New Deal, 206-08, 215-18.

Its proponents considered liberalism to be on the move and Truman to be its leader. Thus, the circumstances under which this President took office in his own right in January 1949 appeared to be promising for the advancement of liberalism. Whether, during the next four years, the Truman Administration actually worked toward this goal and if so, to what extent it succeeded will be examined by focusing on the particular area of public power.

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[91] Quoted in ibid., 268.

CHAPTER II

THE GENESIS OF THE LIBERAL POSITION ON ELECTRIC POWER

Federal concern with electric power began in the late nineteenth century. The first acts passed by Congress concerned the jurisdiction of potential water power sites but only indirectly since they aimed primarily at keeping rivers open to navigation. Because water power dams could impede navigation, the Federal government in the 1890 Rivers and Harbors Appropriation Act assumed the right to regulate such structures. In an extension of that act in 1899, the Government declared its control over all navigable streams and required that Congress grant special approval for building any dams in them. The measures were supported by shipping interests who desired to clear such waterways of all obstructions to commerce. There is no evidence that the newly begun private power industry raised any objections to the passage of these bills.[1]

In 1899 the Federal government enacted a bill approving an application by the Muscle Shoals Power Company to build a lateral canal and hydro-electric power plant in the Tennessee River. In so doing it granted a private utility the right to develop water power at Muscle Shoals, but at the same time the Federal Government made its first positive step toward proclaiming its sovereignty over water power.[2]

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[1] U.S., Statutes at Large, XXVI (1889-91), 454; ibid., XXX (1897-99), 1150-51; Jerome G. Kerwin, Federal Water-Power Legislation (New York, 1926), 105-08.

The private utility involved did not follow up on this initial attempt to develop the Muscle Shoals site because it was uncertain about the feasibility of hydroelectric projects. However, when a group of persons made a similar request in 1903 and Congress approved it, President Theodore Roosevelt refused to sign the authorizing bill. He noted in his veto message that recent developments in applying water power to the production of electricity available for use at fairly long distances made for a latent resource of considerable value in rivers that the Government might be called upon to improve for navigation purposes. In this message Roosevelt referred for the first time to a principle recently advocated by some proponents of multipurpose river development--that by selling power, the Government could finance river improvements. In doing so, he commented that the value of water power "should be properly utilized to defray the cost of the improvement." Roosevelt further urged that the granting of such privileges be "considered in a comprehensive way" and that a policy be formulated to assure that similar water power rights would be disposed of in a manner that would "best conserve the public interests."[3]

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[2] "An Act granting to the Muscle Shoals Power Company right to erect and construct canal and power stations at Muscle Shoals, Alabama," Statutes at Large, XXX (1897-99), 1351-52. See also Judson King, The Conservation Fight (Washington, D.C., 1959), 1-3; address, H. F. McPhail, "The Development of Power by the Federal Government," dated October 5-7, 1948, Office File of C. Girard Davidson, Records of the Office of the Secretary of the Interior, Record Group 48, National Archives Building, Washington, D.C. Hereafter, Record Group is cited as R.G. and the National Archives Building as N.A.

As private power companies became more aware of the possibilities of long-distance transmission of electrical power, they perceived the advantages that could accrue from building dams in navigable streams. Hence, they increasingly applied to the Federal government for such privileges. In order to meet the new demand and to decrease its work load caused by the stipulation in the 1899 Rivers and Harbors Appropriation Act that Congress approve every such application where the stream involved crossed state lines, Congress passed the General Dam Act in 1906. This legislation set certain conditions under which such grants could be made but still required Congressional approval in each case. The main condition set forth was that the power projects not interfere with navigation; neither time limit nor charges were mentioned. Roosevelt signed twenty-five acts under this law, which allowed private companies to build dams in navigable streams.[4]

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[3] U.S. Congress, Congressional Record, 57th Cong., 2d sess., 1903, XXXVI, 3071; the bill was entitled "An Act granting the consent of Congress to N. F. Thompson and Associates to erect a dam and construct a power station at Muscle Shoals, Alabama." See also King, The Conservation Fight, 4-5; Samuel P. Hays, Conservation and the Gospel of Efficiency: The Progressive Conservation Movement, 1890-1920 (Cambridge, Mass., 1959), 114; Gifford Pinchot, Breaking New Ground (New York, 1947), 327.

At this early stage, it appeared that private industry would secure a dominant position in the development of the nation's water power. While Theodore Roosevelt's veto of the Muscle Shoals bill had staked out a claim for Federal control of water power in navigable rivers, the President and Congress had approved twenty-five applications for private water power development in such streams with no Federal curb on time or charges. Furthermore, in the particular case of the Muscle Shoals site, Secretary of War William H. Taft, the Army Corps of Engineers and the Senate seemed to side with private power interests. When Taft was asked his opinion on the subject and also whether a commission should be established to look into the matter, he avoided the issue by referring the request to the Army Corps of Engineers. The ensuing report by the Corps, which was sent on to the Senate without comment by Taft, stated that the Engineers were

> not aware that the United States has any right or interest in the water power that can be developed at Muscle Shoals aside from its control over the waterfall for purposes of navigation and its ownership of the canal properties.[5]

The committee appointed by the Senate in March 1905 to look into this matter appeared in its report to agree with

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[4] Statutes at Large, XXX, Part 1 (1905-97), 386-87; Hays, Conservation and the Gospel of Efficiency, 115; Kerwin, Federal Water-Power Legislation, 114-15; Pinchot, Breaking New Ground, 327.

[5] Quoted in King, The Conservation Fight, 7; see also ibid., 6-9; Pinchot, Breaking New Ground, 327.

Roosevelt's view on Federal control. However, it actually assumed that private enterprise had the right to build dams and locks and to be granted water power rights in perpetuity to be developed under regulation of the states.[6]

Two developments in the first decade of the century, on the other hand, indicated a trend toward Federal control and the kind of programs for electric power that many progressives were urging. First, the Government began to enter the electric power field incidentally to some of its single-purpose river programs. Second, the growing conservation movement, with its stress on the multiple-purpose approach to river improvement, influenced Roosevelt to change some of his policies to conform with its principles.

While the debate concerning Federal jurisdiction over water power sites in the Tennessee River[7] and in other navigable streams in the nation continued, the Federal government began to generate power secondarily to some of its single purposes in river development. For example, irrigation was the primary aim in the Government's development of streams in the arid and semi-arid states of the West. However, enough head and flow of water to allow generation of electricity usually resulted from the dams, which were required to store water. It was more economical to generate power for construction at the site than to bring it in from existing facilities that were often located many miles away across rugged terrain. Furthermore, when the project was completed, power would be available for other purposes.[8]

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[6] King, The Conservation Fight, 6-9.

[7] This first phase of the Muscle Shoals battle continued until 1916 when the war-time need for nitrates for explosives brought a rather unexpected answer to the problem.

In 1906, Congress authorized the Secretary of the Interior to lease any surplus power or power privileges for not more than ten years and to give preference to municipal purposes in making contracts. Revenues from power were to be used to help decrease the amounts payable by users of the water. This provision marked the beginning of the Federal policy, which was to be repeated in many acts of Congress, of giving preference in selling public power to municipalities and other publicly-owned bodies.[9]

During the rest of the decade, the Government continued, through its single-purpose irrigation projects, to move slowly into the electric power field. The Bureau of Reclamation built its first power plant in 1906 at Roosevelt Dam site in Arizona to supply power for construction. In June of the following year the Interior Department negotiated a contract with the Pacific Gas and Electric Company for power from the Roosevelt plant to be distributed to the residents of Phoenix, Arizona. This was the first contract made between the United States and a private company for the disposal of surplus power from a project financed by the Federal government. The Strawberry Valley Project in Utah was built in 1909 and became the first Federal project to provide power directly to a municipality. Because they were small, however, these early projects attracted little attention.[10]

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[8] Twentieth Century Fund, Electric Power and Government Policy, A Survey of the Relations Between the Government and the Electric Power Industry (New York, 1948), 480-81; address, H. F. McPhail, "The Development of Power by the Federal Government," Office File of C. Girard Davidson, R.G. 48, N.A.

[9] Twentieth Century Fund, Electric Power and Government Policy, 481.

It was also early in the twentieth century that conservationists and some Congressmen began to recognize that flood control should be a concern of the Federal government. When Congress did accept such responsibility, dams built for this single purpose also led to Government generation of power. Although there had been widespread agitation throughout the nineteenth century for Congress to control floods, it was not until 1892 that a sufficient number of the legislators overcame their concern about its local nature and "recognized, at least by implication, that flood control was a proper federal function."[11] However, except for occasional appropriations to help in time of floods or to build levees along the Mississippi River, Congress continued to regard flood control as essentially a local problem until 1916 when it appointed a committee to study flood control in the Mississippi Valley. In 1917 it appropriated funds for control on the Mississippi and Sacramento Rivers. By 1927, when a disastrous flood in the Mississippi Valley brought a large appropriation from Congress, Federal responsibility was established. In 1936 the Flood Control Act for the first time set forth a general flood control policy and authorized the installation of facilities for the development of electric power in any dam if so recommended by the Chief of Engineers of the Army and approved by the Secretary of War. For actual generation of such power, specific legislation was required.[12]

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[10] Ibid.; address, H. F. McPhail, "The Development of Power by the Federal Government," Office File of C. Girard Davidson, R.G. 48, N.A.; Ernest R. Abrams, Power in Transition (New York, 1940), 20-21.

[11] Twentieth Century Fund, Electric Power and Government Policy, 485.

More important for the adoption of a progressive approach to electric power than these developments was the growing influence of the leaders of the conservation movement during the Theodore Roosevelt and William H. Taft Administrations. The urging by these reformers that a more comprehensive view of water resources be taken not only inspired Roosevelt to revise some of his policies but also culminated in effective Federal legislation pertaining to its jurisdiction and regulation.

The conservationists wanted the Federal government to develop rivers by taking into account not just a single purpose but several, such as flood control, navigation, irrigation and electric power. Furthermore, because they believed that rivers belonged to all the people, these reformers wanted to prevent exploitation of such resources by corporations. Therefore, they attempted to block efforts by private power companies to obtain public water power sites in perpetuity and at no cost.

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[12] *Ibid.*, 485-86. The amount of power developed incidentally to flood control by the Federal government has not been great, partly because of the question of whether design of facilities for maximum generation of power does not make flood control less effective; see *ibid.*, 488.

Led by the conservationist and Chief of the Forest Service Gifford Pinchot, men in the Theodore Roosevelt Administration such as James R. Garfield, director of the Bureau of Corporations and Frederick Newell, chief engineer and later director of the Reclamation Service, began curbing the near give-away program then in existence. They sought to end the practice of granting permits for use of potential water power sites "forever and for nothing" on a first come, first serve basis. Developing first a water policy for sites in the National forests, which placed a fifty-year time limit on leases and charged private companies for use of Government property, Pinchot urged President Roosevelt to extend the program outside the forests.[13]

Convinced by Pinchot, Roosevelt responded positively in several ways. He vetoed both the Rainy River Bill of April 1908 and the James River Bill in January 1909 because they contained no provisions either for setting a termination date for the grant or for paying the Government for the privileges received. He subsequently announced that he would veto any power bill that did not provide for a charge and a time limitation, and in 1908 he appointed the Inland Waterways Commission to investigate the development of water power on navigable streams. Roosevelt used his executive power to enforce this new policy by insisting that it be adhered to by Secretary of War Taft and the Army Corps of Engineers even though they disagreed with it. Ordering Taft to see Pinchot for advice before complying with a Congressional request for guidance on water power bills, the President in effect obliged the Corps to see that a clause providing for power charges and a limit on time be included in all bills returned to Congress from the War Department.[14]

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[13] Nelson McGeary, Gifford Pinchot, Forester, Politician (Princeton, 1960), 74; Gifford Pinchot, "The Long Struggle for Effective Water Power Legislation," The George Washington Law Review, XIV (December, 1945), 11-16.

Roosevelt, along with Pinchot, also gave his blessing to the basic principles implicit in the report of the Inland Waterways Commission: waterways are the key to conservation of other resources and every river should be made to serve the public through multi-purpose development from source to mouth.[15] The President also agreed with the Commission's recommendation that a single executive agency should coordinate the entire administration of water resource development.[16] Although Congress refused to give financial support to continue it, the Commission did help pave the way for the Conference on the Conservation of Natural Resources held in May 1908, which in turn helped to focus the nation's attention on conservation.

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[14] George E. Mowry, The Era of Theodore Roosevelt and the Birth of Modern America, 1900-1912 (New York, 1958), 214-16; McGeary, Gifford Pinchot, 78, 94; Pinchot, "The Struggle for Water Power Legislation," 15-17; Hays, Conservation and the Gospel of Efficiency, 115-18.

[15] McGeary, Gifford Pinchot, 94.

Most progressives interested in conservation in this period believed that single-purpose development made no sense economically. Maximum development of a river required a multiple-purpose approach. Engineering works designed for only one use on a river might eliminate other uses that could result in even larger benefits. For example, a low dam built at one spot in a river for navigation purposes might preclude the construction of a high dam at the same place that would also produce hydro-electric power. A key element in such thinking was the desire for efficiency so that the maximum amount of benefits would result.

A number of historians have seized on this aspect of efficiency to help discount the reform nature of the conservation movement and the whole progressive movement as well. Samuel P. Hays, for example, has maintained that the conservation movement was not primarily anti-corporation and has urged that the setting in which one must examine it is that "Conservation, above all, was a scientific movement."[17] Gabriel Kolko, after quoting from Hays in his book The Triumph of Conservatism has gone on to point out that Pinchot developed the sustained yield program in the forests, which was supported by the private industry-dominated American Forestry Association. Pinchot viewed forests as "economic resources" and "strongly opposed using the forests as pure wilderness or game reserves." Because Roosevelt, like Pinchot, supported this approach as opposed to the "preservationists" who opposed "cutting of any sort," Kolko has concluded that Roosevelt was basically conservative.[18]

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[16] The Corps of Engineers violently opposed this aspect of the report since such a commission would completely eliminate its autonomy. Denying that greater coordination was needed and arguing that other purposes should be subordinated to navigation, the Chief of the Corps, Brigadier General Alexander Mackenzie, was the only member of the commission to dissent from the report. Although Secretary of War Taft, when pressured by President Roosevelt, did send a favorable report on the bill presented to Congress by Senator Francis G. Newlands in December 1907 to carry out the proposals of the commission, the lack of full support by the Corps of Engineers helped kill the measure in the Senate. See Hays, Conservation and the Gospel of Efficiency, 105-14.

However, efficiency and the use of experts were hallmarks of the Roosevelt-Pinchot wing of the progressive movement.[19] It is true that often the methods of corporations coincided with those of progressives, but each group had different objectives. Business elements, in an effort to insure their own economic well-being, generally wanted more efficient means and regulation by government in order to save the resource from annihilation and to bring order to haphazard, unpredictable conditions in industry. While progressives in many instances desired these same ends, their motive was a wish to benefit as many people as possible. Pinchot said, "Nationally, the outgrowth and result of conservation is efficiency," but he also wrote

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[17] Ibid., 1-2.

[18] Gabriel Kolko, The Triumph of Conservatism, A Reinterpretation of American History, 1900-1916 (Chicago, 1967), 110-11.

[19] See above, Chapter I,

> Conservation is the foresighted utilization, preservation, and/or renewal of forests, waters, lands, and minerals for the greatest good of the greatest number for the longest time.[20]

In some cases the interests of conservatives coincided with those of progressives in the area of electric power; for example, Samuel Insull, the private utility magnate, led the movement to organize state commissions for regulation of the private power industry. However, the private power sector, for the most part, objected strenuously to progressives' plans for river development. This program included the multiple-purpose approach, regulation and also public ownership, which a few reformers like Senator George Norris were beginning to advocate. Looking back on this period, Norris stated that every time he advocated multiple-purpose development, he discovered "the great electric trust" standing "in the road with a bludgeon, demanding that the electric part of it be turned over to them for private manipulation and gain."[21]

Despite this opposition, various factors continued to work in favor of the progressives' programs for conservation and water power development after Roosevelt left office in 1909. Although President Taft reversed his predecessor's policies by signing bills granting franchises to private power companies that neither set a time limit nor required compensation, he did appoint a conservationist, Henry L. Stimson, as Secretary of War in 1911. A partisan of utilizing income from water power to pay for multiple-purpose river development, Stimson argued that through its constitutional right to aid navigation, the Federal government could charge for power produced at a privately owned dam in a navigable stream because the dam could improve navigation. Stimson failed in his attempt to get legislation passed that would provide for such charges, but he did persuade Taft, who wanted to avoid a rift in his Cabinet, to veto the Coosa (Alabama) River bill on the ground that it did not contain a provision for compensation.[22]

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[20] Pinchot, Breaking New Ground, 505.

[21] Richard Lowitt, George W. Norris, The Persistence of a Progressive, 1913-33 (Urbana, Illinois, 1971), 350.

Another development that helped further progressive power and conservation policies was the growing public awareness and interest in the question of public power and in conservation generally. By 1912 the conservation movement had gained the attention of the people to such an extent that all three major parties endorsed conservation principles in the Presidential campaign of that year. Conservation played a role in the formation of the Progressive

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[22] Hays, Conservation and the Gospel of Efficiency, 119-20; Kerwin, Federal Water-Power Legislation, 127-42.

Party, which had Theodore Roosevelt as its candidate, and Woodrow Wilson's election indicated that the new Administration would support Federal water power control.

Despite these gains, by early 1913 a stalemate on the matter had developed in Congress. Opposition in the Senate from states rightists and other conservatives had halted the Roosevelt policy and thwarted attempts to pass a water power act until the last year of Wilson's Administration.

The battle over who would control water power sites continued in Congress from 1914 to 1920, with the House pro-conservation and the Senate anti-conservation. The sites under question were of two types: those within the public domain (mainly concentrated in the West) and those outside the public domain, which included such important rivers as the Colorado, St. Lawrence, Columbia and Tennessee. Many bills, amendments, hearings and debates crossed the Congressional stage. With the Houses in deadlock, Congressional action came only after the President intervened. In January 1917, Wilson called a White House Conference of twenty-five members of various committees that might be involved with power questions. He told these legislators that it would be necessary to write a bill that was a mixture of all the pending bills. The upshot was the creation of a special Water Power Committee to which all water power bills would be referred.[23]

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[23] Kerwin, Federal Water-Power Legislation, 217-23; King, The Conservation Fight, 45, 50-51.

Although the Administration bill, prepared under the auspices of Secretaries Newton D. Baker (War),[24] Franklin K. Lane (Interior) and David F. Houston (Agriculture) was amended after it reached the House, it satisfied progressives in general since it established Federal jurisdiction over power sites on navigable waters in the country; provided for licenses to be granted to private or public agencies for a maximum period of fifty years; created a Federal power commission composed of the Secretaries of War, Interior and Agriculture and made it possible for the Federal government to develop a water power site on its own initiative if so advised by the commission.

Senate opposition to this bill, which had passed the House on September 5, caused referral to Conference Committee and resulted in a compromise version that most progressives and conservationists could not support. The objectionable features of the bill pertained to the definition of navigability which would have taken valuable sites (including Muscle Shoals) out of the jurisdiction of the Federal government. In addition, the bill did not provide for the advancement of electric power as an integral part of a multiple-purpose approach to river development.[25]

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[24] Baker succeeded Garrison who had resigned partly because of conservationists' water power policies. An outstanding liberal, Baker had pushed the "three cent" municipal electric light plant and advocated municipal ownership.

[25] Hays, Conservation and the Gospel of Efficiency, 121; Kerwin, Federal Water-Power Legislation, 254-55; King, The Conservation Fight, 55-56.

With the bill finally passed by Congress and signed by the President June 10, 1920, progressives both won and lost. Provisions they viewed as successes were the affirmation of the principle of ownership rights and jurisdiction of the Federal government over water power sites in all navigable rivers with a clear definition of the term so that shoals or falls did not limit government jurisdiction, the limitation of licenses to a maximum period of fifty years, the authorization of the Government to make charges for this privilege, the grant of preference to public bodies in cases of conflict with private companies and the authorization of the Federal government to build hydro-electric projects upon the recommendation of a Federal power commission set up to administer the act. However, they considered as a defeat the stipulation that charges made for use of water were to be based on the cost of administering the act rather than on the value of the use and the recapture clause, which, while it was an improvement over the Senate version, made it difficult and costly for the Government to take back the site at the end of fifty years. Furthermore, some progressives, such as George Norris, disliked the requirement that Federal Power Commission members be politically appointed cabinet members rather than independents.[26]

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[26] Composed of the Secretaries of War, Interior and Agriculture, the Federal Power Commission was empowered to issue licenses for the use of water resources over which the Federal government had control. In 1930 it was reformed into an independent five-member body; in 1935, it was given authority to regulate the sale of electricity meant for

II

While reformers preferred the original Administration water power bill, some of them voted for the measure as enacted because it provided for some Federal government regulation of the electric power industry. Progressives like Pinchot and Theodore Roosevelt did not advocate government ownership of power, but they did want the Federal government to set rules for the development of electric power resources in the public interest. They believed that because of common law considerations and the special nature of the electric power business (which makes it a natural monopoly since competition would mean duplication and since it so obviously affects the public interest), state and Federal governments had the right to regulate electric companies. Intended to insure acceptable standards of service as well as reasonable charges, regulation was to substitute for competition.[27]

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resale across state lines and by acts in 1937 and 1938 it was authorized to regulate rates of electric power generated at Bonneville and Fort Peck. See Kerwin, Federal Water-Power Legislation, 256-63; King, The Conservation Fight, 57-58; Pinchot, "The Struggle for Water Power Legislation," 19; McGeary, Gifford Pinchot, 63-67, 203; Twentieth Century Fund, Electric Power and Government Policy, 68-69; Thomas K. McCraw, TVA and the Power Fight, 1933-1939 (Philadelphia, 1971), 16; John Bauer and Nathaniel Gold, The Electric Power Industry, Development, Organization, and Public Policies (New York, 1939), 265-66.

[27] Twentieth Century Fund, Electric Power and Government Policy, 45, 144; McCraw, TVA and the Power Fight, 13; Bauer and Gold, The Electric Power Industry, 11; John D. Hicks, Republican Ascendancy, 1921-1933 (New York, 1963), 123; James C. Bonbright, Public Utilities and the National Power Policies (New York, 1940), 5-9.

As technological improvements increased in the electric power industry so did the apparent need for such public regulation of the electric utilities. Following quite rapid development in the last quarter of the nineteenth century, the electric industry became definitely established at the turn of the century. Both the first steam-power station and the first hydro-electric power station began operating in 1882. With the ability to convert water power into electric power early in the twentieth century came the development of large hydro units, transmission over great distances and the use of almost all the energy from falling water.

Rapid technological advances also occurred after 1900 in transmission and, to a lesser extent, in final distribution.[28] Improvements in generator design and larger capacity made it possible to generate higher voltages. These voltages were necessary in supplying large quantities of electricity over long distances since the size of copper conductors needed when low voltage was used in such circumstances made total cost of the line prohibitive.[29]

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[28] There is no clear dividing line between transmission and distribution, but, generally speaking, transmission is involved with sending large loads of electricity from a central station to outlying areas, while distribution takes over from transmission, conveying short distance electric power in smaller amounts and making final delivery for use by the consumer.

[29] Bauer and Gold, The Electric Power Industry, 4, 13-28, 29-34, 45-46; Martin G. Glaeser, Public Utilities in American Capitalism (New York, 1957), 54-56; Twentieth Century Fund, Electric Power and Government Policy, 11-19.

At first local in scope, regulation of the industry centered on two methods: setting maximum rates by local statutes and attaching term limitations and other conditions to monopolistic franchises. However, both methods were unsatisfactory because they were inflexible and hard to enforce. Thus, during the Progressive Era a demand arose for commissions to scientifically ascertain the facts and make regulations. Led by Wisconsin and New York, many states had established such regulatory bodies by the end of the 1920's.

In general, however, these state systems failed. Small budgets and staffs, lack of clearly defined powers, expansion of private power companies across state lines and, most important, contradictory and inconsistent decisions by the courts all hampered the work of these commissions.[30] In addition, private utilities formed great holding companies, which effectively put them beyond the reach of state government interference.

These holding companies mushroomed during the twenties, and the reputation of the private power industry soared because of its apparent valuable securities, its great engineering feats and its successful public relations effort via the National Electric Light Association. This reputation for public service that the private power industry had established fell, however, with the 1929 crash and the subsequent collapse of the empire of Samuel Insull, the man who symbolized the success of the private utility tradition.[31]

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[30] A problem that began with an 1898 Supreme Court decision, Smyth v. Ames, plagued these commissions as it would later trouble the TVA. It said that utilities must be given the opportunity to earn "a fair return on the fair value of the property being used." Fair return, which came to be set at between 5 and 10 per cent of the fair value of the property being used, could mean any number of things, depending on what was included in the computation; hence, interpreting this rule made for huge problems in administration. Utility companies, in fact, called on the "fair value" doctrine of the courts to avoid any real control of their rates. See McCraw, TVA and the Power Fight, 14; Bonbright, Public Utilities and the National Power Policies, 15-18, 28.

Some reformers continued to believe that state regulation could be made effective by increasing the powers of the commissions, granting them larger budgets and staffs and improving their procedures. As governor of Pennsylvania, Pinchot carried on the fight for effective regulation in that state; David E. Lilienthal revived the commission in Wisconsin in 1931 and Milo R. Maltbie did the same in New York in 1940.[32]

However, Senator George Norris of Nebraska had concluded by the mid 1920's that the State commissions could not hold their own against what he called "this gigantic octopus." In 1926 he suggested another answer to the problem:

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[31] McCraw, TVA and the Power Fight, 10-14; Twentieth Century Fund, Electric Power and Government Policy, 42-43; Bauer and Gold, The Electric Power Industry, 226; Bonbright, Public Utilities and the National Power Policies, 28-29.

[32] McCraw, TVA and the Power Fight, 15; McGeary, Gifford Pinchot, 362-69; Twentieth Century Fund, Electric Power and Government Policy, 43.

> If, from the nature of things a certain commodity must be a monopoly, then it ought to be owned, controlled, and managed by Government authority.[33]

III

Those who advocated tightening government regulation and those who, like Norris, thought the only way to correct the deficiencies of regulated private ownership was government ownership and operation of the electric power industry generally believed their solutions to be mutually exclusive. Some people, however, at times suggested a middle ground. For example, one plan involved a partnership between public and private sectors with the Government selling the power to private companies at wholesale price for distribution to electric power consumers. Such a proposal was endorsed, after a period of neutrality from 1902 to 1909, by the Army Corps of Engineers in 1914 ~~when~~ private enterprise was trying to gain Muscle Shoals.[34]

The Muscle Shoals Hydro-Electric Power Company had advanced a scheme in 1906 to build cross river dams at the Shoals to make them navigable with the idea that electric power might be generated as well. The plan called for Government aid in the development of the site since it was too expensive for private enterprise to undertake alone. After a special board of Army Engineers rejected engineering plans and refused to state an opinion on the partnership idea, another board, chaired by Colonel Dan C. Klingman of the Engineers was asked by the Chairman of the House Rivers and Harbors Committee to make additional studies. This group expressed approval of such cooperation in a May 1914 report known as "No. 20." According to Judson King, General Klingman's "report was virtually a brief for the company's bid."[35]

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[33] Quoted in McCraw, TVA and the Power Fight, 15. Richard Lowitt has shown that Norris actually made the shift "from procedural to economic reform" while he was in the Senate during the Wilson Administration. During these years Norris first spoke out on development of multiple-purpose resource, public power and Federal control of power sites. See Richard Lowitt, "A Neglected Aspect of the Progressive Movement: George W. Norris and Public Control of Hydro-electric Power, 1913-1919," Historian, XXVII (1964-65), 350-65.

[34] King, The Conservation Fight, 39; Bonbright, Public Utilities and the National Power Policies, 30.

However, charging that many items in the measures that included authorization of the plan were sheer waste, progressives like Senators Norris and LaFollette and Representative Irvine L. Lenroot helped kill Rivers and Harbors bills in 1914 and 1915. In 1916 the Alabama Power Company (which had taken over the Muscle Shoal Hydro-Electric Power Company in May 1914) made a final effort. A new report by the Army Engineers restated its opinion that it was "advisable for the United States to take this opportunity of entering into an arrangement with the Muscle Shoals Hydro-Electric Power Company."[36]

This plan for cooperation got no place in Congress for three main reasons: firstly, President Wilson had just signed the National Defense Act of 1916, which authorized the choosing of a water power site in order to produce air nitrates and would select Muscle Shoals; secondly, Congress and the American people were becoming increasingly aware of the public versus private power debate, which had been going on since Theodore Roosevelt's Presidency and thirdly, the plan had gained the reputation of a "power trust grab." This type of private-public partnership idea was thus laid to rest not to be brought to life again until the Eisenhower Administration.[37]

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[35] King, The Conservation Fight, 37.

[36] Quoted in ibid., 39.

Another type of government-private enterprise cooperation in which power was sold at wholesale prices to private companies for distribution to users was generally utilized by the Federal government in its reclamation program and, to a certain extent, at Boulder Dam. Since the Boulder Dam Act, passed in 1928, did not specifically exclude giving preference to private corporations, President Hoover's Secretary of the Interior Ray Lyman Wilbur interpreted the act to mean that power generated at the dam could be sold to private utility companies. However, as it turned out, public agencies contracted to buy over 90 per cent of the dam's firm power, therefore diminishing progressive agitation to change this particular law.[38] In general, progressives opposed the "cooperative approach" because it gave corporations the opportunity to profit from government development of resources which, they believed, belonged to the people.

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[37] _Ibid._, 34-39.

[38] McCraw, _TVA and the Power Fight_, 17; Lowitt, _George W. Norris_, 454-55; Schlesinger, _The Politics of Upheaval_, 376-77.

IV

Although many believed that neither government regulation nor government cooperation with private enterprise was satisfactory, few men of influence, except Socialists, prior to the Muscle Shoals fight in the twenties were willing to go so far as did Norris in advocating a third alternative--complete public ownership of the country's natural resources. One exception was Senator William E. Borah of Idaho. During the debate over the Hetchy bill, Borah stated: "I am in favor of absolute public ownership. The leasing system is a delusion so far as our natural resources are concerned."[39] This measure granted San Francisco "the right to develop a reservoir site in the Hetch Hetchy Valley of Yosemite National Park," and allowed a municipality to own a hydro-electric system and to distribute power to the consumers to the exclusion of the Pacific Gas and Electric Company which was then operating in the area. It passed Congress late in 1913 and was signed by President Wilson. San Francisco, however, contravened the law by selling power to a private utility company, and it was not until 1938, when Secretary of Interior

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[39] Quoted in King, The Conservation Fight, 43-44.

Ickes took the case to court, that an Administration succeeded in enforcing the contract. On this issue preservationists, like the naturalist John Muir, and private power interests lined up against conservationists like Norris and Borah who charged that the private power companies were using the tactic of hiding their opposition to the measure behind such issues as preservation of wildlife, states' rights and fear of socialism.[40]

Borah reiterated his stand in favor of public ownership of electric power during the struggle by conservationists in Congress to define Federal power policy in the period 1914 to 1920. Citing the example of the Ontario (Canada) Hydro Electric Power System (a huge, publicly owned and operated power system in existence since 1909), Borah on one occasion argued the advantages of public over private ownership by comparing Ontario's average cost of electricity to the domestic consumer of 2.5 cents per kilowatt hour to the United States average of 8.1 cents and Ontario's wholesale industrial cost of $8.00 per horsepower to the United States $18.00 average.[41]

The Senator from Idaho explained his motives as follows:

> I feel . . . I can render no greater service to the people of that great northwestern empire than to

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[40] Ibid., 41-44; Alfred Lief, Democracy's Norris: The Biography of a Lonely Crusade (New York, 1939), 152-53.

[41] King, The Conservation Fight, 51-53; McCraw, TVA and the Power Fight, 15.

> help keep this heritage wholly and exclusively for the people as a whole . . . free from speculation and from private manipulation and gain. If we under public ownership can sell power for half what it costs under private ownership nothing is more calculated to bring people to settle our lands, to build homes and schools and manufactories, enrich our communities and enlarge our payrolls.[42]

In the twenties a number of influential men joined Norris' and Borah's camp; for, in that period proponents of both points of view--making regulation more efficient and public ownership--as well as advocates of other or additional measures such as the "public yardstick" idea (comparative rate performance), conservation and comprehensive river development were united by the Muscle Shoals and Tennessee Valley Authority issues.[43]

The problem of Muscle Shoals, which confronted Congress and the Administration in the immediate post-war period, centered around the site as a means of producing nitrates for defense and fertilizer for agriculture rather than as a means of developing water power, although Secretary of War Newton D. Baker did reveal in testimony before the House Appropriations Committee that he understood the water power potential of Wilson Dam. The National Defense Act of 1916 had given the President authority to build nitrate plants, to construct power plants to operate them and to dispose of any surplus power and nitrates as he deemed appropriate. Thus, the main purpose in building

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[42] Quoted in King, The Conservation Fight, 53.

[43] McCraw, TVA and the Power Fight, 17-18.

Wilson Dam in the Tennessee River, which was still incomplete when the war ended, had been to provide a cheap and abundant supply of electric power for producing nitrogen for explosives. The first nitrate plant (Plant No. 1), which had been built at Sheffield, Alabama, proved unsuccessful and was closed in January 1919. The site chosen for nitrate Plant No. 2 was Muscle Shoals because of its large amount of potential water power. However, since it was apparent that the dam could not be completed by the time the nitrate plant would be ready for operation, a steam plant, fueled by coal, was constructed under contract with Alabama Power Company to supply the needed power.[44]

When hostilities ceased, the Haber process used by Germany to take nitrogen from the atmosphere quickly became known; private industry began to build plants employing the process and operations at the nitrate plant at Muscle Shoals ceased. There were sufficient funds available to continue work on Wilson Dam until April 1921. Whereas the cause of national defense had insured general support of the project, now fear of government ownership of business prompted conservatives to attack the venture. Any hopes for further development--either public or private--of Muscle Shoals appeared ended when the Administration failed to interest private enterprise in the site. A House committee killed a bill that would have provided for Federal operation of the nitrate plant, and Congress defeated a proposed appropriation for resumption of work on Wilson Dam in early 1921.[45]

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[44] Preston J. Hubbard, Origins of the TVA: the Muscle Shoals Controversy, 1920-1932 (Nashville, 1961), 2-3, 13-14, 25; Kerwin, Federal Water-Power Legislation, 268-69; George W. Norris, Fighting Liberal: The Autobiography of George W. Norris (New York, 1945), 249-59.

However, in March 1921, just before work was to cease on Wilson Dam, Harding's new Secretary of War, John W. Weeks, invited private industry to step in if it could guarantee a fair return to the Government on its investment. Weeks offered in return completion of the dam at Government expense and leasing of the entire project.[46]

Congressmen and Administration officials were amazed when no concrete proposals materialized. Army Chief of Engineers Major-General Lansing Beach reported to the House Military Affairs Committee that utility officials had advised him that he "was wasting . . . his young life in trying to secure propositions."[47] Shortly thereafter, however, Henry Ford appeared on the scene (in July 1921), offering to purchase the two nitrate plants, including two steam electric plants and to lease Wilson Dam for 100 years once it was completed by the government. But Ford offered only $5,000,000 for this property as well as a steam plant and a transmission line, all of which had cost the Government approximately $87,000,000.[48]

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[45] Hubbard, Origins of the TVA, 4-23; Norris, Autobiography, 253; Kerwin, Federal Water-Power Legislation, 270.

[46] Hubbard, Origins of the TVA, 23; McCraw, TVA and the Power Fight, 19; King, The Conservation Fight, 95; Norris, Autobiography, 253; Lief, Democracy's Norris, 244.

[47] Quoted in King, The Conservation Fight, 96.

Because the offer included an agreement to produce fertilizers for the benefit of farmers with a profit of no more than 8 per cent, as well as a proposal to build a huge industrial center at Muscle Shoals, word got around that Ford was mankind's saviour and a special friend to the farmer. However, a close look at the plan revealed that it gave Ford the option to renew the lease at the end of fifty years and that it was extremely vague in such areas as the nature of the company that would operate the facilities. Under the proposal Ford would be granted all the surplus power at Muscle Shoals, for which he offered to pay about $1,700,000 per year; however, how much surplus power would be produced was uncertain.[49]

Although the industrialist's plan aroused considerable interest among the public, progressives generally opposed it. Gifford Pinchot and other conservationists were particularly concerned that under his proposal Ford would violate certain provisions of the Federal Water Power Act such as the right of recapture and Government regulation of service and rates. They, as well as Senator George W. Norris and his followers who favored public ownership, believed that the American Government should direct unified resource development in the interests of the people. In their opinion, control of Wilson Dam by Ford would preclude this kind of development of the Tennessee Valley, an area which held great potential for future growth.[50] Norris, who effectively led the fight in the Senate against the Ford plan, was chiefly concerned with the fact that under the contract Ford would, at no cost to himself, receive approximately 600,000 horsepower free of all public regulation.[51]

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[48] Hubbard, Origins of the TVA, 28-30; Kerwin, Federal Water-Power Legislation, 271; Einaudi, The Roosevelt Revolution, 160-61.

[49] Hubbard, Origins of the TVA, 29-30; McCraw, TVA and the Power Fight, 19; Lief, Democracy's Norris, 244-45.

These reformers, therefore, were pleased that neither this proposal nor other schemes advanced for private development of Muscles Shoals that violated progressive power and conservationist principles were successful. After his proposal generated a good deal of controversy, Ford finally withdrew it in October 1924. One of the other plans was presented in a bill that would have granted the American Cyanamid Company broad powers not just at Muscle Shoals but along the entire Tennessee River. All such bills were defeated in Congress over the succeeding few years.[52]

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[50] Einaudi, The Roosevelt Revolution, 161; McCraw, TVA and the Power Fight, 19-20; Kerwin, Federal Water-Power Legislation, 273; Lief, Democracy's Norris, 244-45.

[51] King, The Conservation Fight, 122; Kerwin, Federal Water-Power Legislation, 282; Einaudi, The Roosevelt Revolution, 161; McCraw, TVA and the Power Fight, 20; Norris, Autobiography, 254-55; Hubbard, Origins of the TVA, 143; Lief, Democracy's Norris, 246-70.

[52] McCraw, TVA and the Power Fight, 20; Twentieth Century Fund, Electric Power and Government Policy, 574.

Elimination of the private industry proposals helped chances for success of Norris' plan for multi-purpose development of the Tennessee Valley. The Senator had developed it while presiding as chairman of the Committee on Agriculture and Forestry, which held hearings on all the Muscle Shoals bills. The Norris proposal evolved from partial development of the area by the Government to a plan (introduced in the Senate January 5, 1926 and known as Senate Bill 2147) that called for improvement of navigation, control of flooding, development of power and production of cheap fertilizer on a trial basis. It envisioned an independent governmental body whose electric power operations would serve as a yardstick and prove that private companies were charging exorbitant rates. Pinchot, now Governor of Pennsylvania, declared before Congress during the debate on the Ford plan that although he did not favor government ownership, he preferred Norris' plan to any of the others because it adhered to all of the principles of conservation to which he had been devoted for twenty-five years. This was not a surprising statement since Senate Bill 2147 contained the recommendations of the Inland Waterways Commission of 1908.[53]

At first, Norris' bill stood little chance of success. Only a handful of Congressmen, such as Senator McNary of Oregon and Representative LaGuardia of New York were willing to support such a plan, and the public versus private power issue was not at that time very important nationally. After the withdrawal of the Ford offer, however, the issue gained more attention.[54]

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[53] King, The Conservation Fight, 166.

In May 1928, one of Norris' bills, Senate Joint Resolution 46, was finally passed by Congress. There were three main reasons why this occurred despite opposition by President Coolidge and conservative wings of both major parties. First, Norris decided to compromise. Instead of his earlier, extensive scheme, he proposed finishing Wilson Dam, building transmission lines, selling power on a preferential basis to municipalities and farm groups, and allowing the Secretary of Agriculture to use the revenue for experimentation in the production of fertilizer. Norris also compromised on the fertilizer aspect of the project. Although it was becoming obvious that the Haber process was revolutionizing the making of fertilizers and that not all of the power produced at Wilson Dam would be needed for this part of the project, men like Senator Hugo L. Black, who believed they had the farmers' interests at heart, insisted that the power be used for fertilizer manufacture only. In Norris' new bill, the Government would produce fertilizer for experimentation only, using the old process until it could be proved whether it was practical. A second reason why the bill finally got through Congress was

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[54] Hubbard, Origins of the TVA, 143; Norris, Autobiography, 260; Lief, Democracy's Norris, 311.

was that the farm block was agitating that fertilizer be produced. Third, the Federal Trade Commission's investigation of the power industry helped touch off a reaction against it that was to almost completely ruin private power's reputation in the eyes of the public. However, due to a pocket veto by President Coolidge, this Muscle Shoals bill did not become law.[55]

During Herbert Hoover's Administration, the Federal Trade Commission's investigation revealed that a great organization of utility corporations centered in the electric light and power industry, employing such devices as the holding company, had been waging a massive propaganda campaign on their own as well as through the National Electric Light Association. This program included efforts to indoctrinate the public concerning the evils of government ownership and was being paid for by the public since the companies were charging the costs of the campaign to operating expenses.[56] Furthermore, a special committee in the Senate set up in late 1929 to investigate lobbying discovered that those connected with the proposal first made in 1927 for developing Muscle Shoals and producing fertilizer had aimed to serve the interests of the American Cyanamid Company rather than those of the farmers. All of these disclosures made it possible for the Norris resolution to pass the Senate easily on April 4, 1930.[57]

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[55] Lief, *Democracy's Norris*, 312-15; McCraw, *TVA and the Power Fight*, 20-21; King, *The Conservation Fight*, 166-67.

[56] McCraw, *TVA and the Power Fight*, 21-23; Carl D. Thompson, *Confessions of the Power Trust* (New York, 1932) 651-53; Gifford Pinchot, *The Power Monopoly, Its Make-Up and Its Menace* (Milford, Pa., 1928), 1-16; Arthur M. Schlesinger, Jr., *The Crisis of the Old Order* (Boston, 1957), 121. By 1933 these investigations had damaged the reputation of the National Electric Light Association to such an extent that the industry abandoned it, replacing it with the Edison Electric Institute whose symbol became the "Reddy Kilowatt" and which for a time kept its promise to be apolitical.

Although the Norris resolution was defeated in the House, causing the issue to be deadlocked in conference between the two Houses until February, 1931, Congress eventually passed the resolution. Help came, rather surprisingly, from the Corps of Engineers. In March 1930 the Corps sent to Congress the final report on its survey of the Tennessee River system. Although it, in effect, recommended development of the river by private industry rather than government, this study provided support for the Norris plan by showing that comprehensive development of the Tennessee River and its tributaries would result in great benefits in electric power, navigation and flood control as well as improved sanitation in the area.[58] As a result, a Conference Muscle Shoals bill with the public power features of the Norris Resolution, including government operation of power facilities and government-owned transmission lines, passed both Houses.

However, the hope that President Hoover would make an exception to his opposition to public power in this case because he had approved Boulder Dam was shattered when he vetoed the bill essentially on the grounds of political and economic philosophy. Hoover said:

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[57] Hubbard, Origins of the TVA, 264-65, 268-70.

[58] Ibid., 275-76.

> The power problem is not to be solved by the Federal Government going into the power business. . . . The remedy for abuses in the conduct of that industry lies in regulation. . . . I hesitate to contemplate the future of our institutions, of our Government, and of our country if the preoccupation of its officials is to be no longer the promotion of justice and equal opportunity but is to be devoted to barter in the markets. That is not liberalism, it is degeneration.[59]

An attempt to override the veto failed by six votes in the Senate.

Progressives were disappointed but felt Norris was sure to win in the next Congress due to meet in December. At a public conference designed to unite progressives in a legislative program for the 72nd Congress, Norris gave his opinion on the situation:

> What this country needs, what this country must have, in order to get progressive legislation in a national sense is a President of the United States who is himself progressive . . . another Roosevelt in the White House.[60]

After his resolution failed to bring action in either House in the 72nd Congress and after Hoover's renomination for the Presidency by the Republican Party was assured, Norris let it be known definitely that the

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[59] U.S. Congress, Senate, Senate Document 321, 71st Cong., 3d sess., 1931, LXXIV, 6; see also Hubbard, Origins of the TVA, 286-94; Lief, Democracy's Norris, 373-74; King, The Conservation Fight, 188.

[60] Quoted in Lief, Democracy's Norris, 378-79; see also ibid., 374-77; Lowitt, George W. Norris, 509-11.

Roosevelt he had in mind was Franklin. Prominent progressives Norris, Senator Edward P. Costigan of Colorado, Harold L. Ickes and Donald Richberg joined a National Progressive League for Roosevelt. Progressives like Robert LaFollette, Hiram Johnson and Bronson Cutting came out for Roosevelt, who, while Governor of New York had demonstrated that he was no friend of the private power interests. He had favored state development of St. Lawrence power and the state's right to build transmission lines when only one private company would build them.[61] He had succeeded in getting a commission established to investigate the adequacy of the State Public Service Commission's protection of the consumer, and he had appointed champions of public power to boards and commissions.[62]

During the campaign Roosevelt further clarified his position on public power in a speech delivered in Portland, Oregon. Stressing both strict Federal regulation of the electric power industry and Government establishment of a yardstick for rates charged by private utilities, he stated that, in general, the utility business should remain in the hands of private industry. However, Roosevelt outlined important exceptions to this rule: first, municipally owned systems should be formed whenever the residents of a community became dissatisfied with the service or rates charged by a private utility company and secondly, the Federal government should develop and operate the sites it owned with the right to transmit power in cases where private companies would not provide reasonable service. He looked to four huge Government power development sites for yardsticks to prevent abuse of the public by private utility companies: Muscle Shoals, Boulder Dam, the Columbia River and the St. Lawrence project.[63]

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[61] Although New York passed a bill in April 1931 giving the state power to build transmission lines, nothing was accomplished during Roosevelt's term because the Senate turned down a treaty Hoover had negotiated with Canada; see King, The Conservation Fight, 256.

[62] Examples are Frank P. Walsh, James C. Bonbright, Leland Olds and Morris L. Cooke appointed to the New York Power Authority; Basil Manly appointed as its representative in Washington and Milo R. Maltbie named chairman of the New York Public Service Commission, all of whom became leaders in the utility fight during the New Deal.

Hoover, on the other hand, did not mention the power issue until the final week of the campaign when he reiterated his opposition "to the federal government going into the power business." He refused again to back the Norris bill, saying that he had vetoed it because of the general principle that the Federal government should not "enter into any business the major part of which is in competition with our citizens" and not because it specifically referred to electric power.[64]

V

The election of Franklin D. Roosevelt to the

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[63] King, The Conservation Fight, 260-61; McCraw, TVA and the Power Fight, 32-34; Hubbard, Origins of the TVA, 312-13.

[64] Hubbard, Origins of the TVA, 313; King, The Conservation Fight, 262.

Presidency in November 1932 meant not only that Norris' original program for Muscle Shoals would become law at last but also that other great multi-purpose dams such as Bonneville and Grand Coulee on the Columbia River, Fort Peck on the Missouri and Boulder on the Colorado would be developed by the Government. Furthermore, electricity would be put within reach both physically and monetarily of many more people, particularly farmers, legislation to decrease the strength of holding companies would be passed and a Governmental power policy would begin to emerge that would be implemented by tightened Federal regulation. Thus, in the New Deal programs could be found all of the various methods of dealing with the power problem for the general welfare of the people as proposed by progressives--tightened government regulation, public and private cooperation if liberal goals could be achieved and government ownership.

When the Tennessee Valley Authority bill came before Congress, the argument revolved, as it had in the past, mainly around the idea of government in the power business. Representatives of the power companies conducting business in the Tennessee Valley area, such as Georgia Power Company and Tennessee Electric Company, maintained that there was already an excess of power in the area and predicted that their companies would be ruined if the bill passed.

The question of transmission lines also caused a brief fight in the House with Wendell L. Willkie, president of the holding company, testifying that to duplicate lines would be to squander taxpayers' money. He maintained that the only way to help the public would be to allow private companies to purchase and distribute Muscle Shoals power. The bill that passed the House did include provisions that the Tennessee Valley Authority would first have to try to buy existing transmission lines from private companies before it began building any of its own and that no more dams could be built on the Tennessee River until a market was found for the power. But thanks to Norris and to Roosevelt, who supported it publicly, the Senator's version won out in conference, and the President signed the bill into law May 16, 1933.[65]

Production of electric power was not the main objective of the Tennessee Valley Authority Act nor of any of the bills that Senator Norris had introduced during the dozen years that he fought for such legislation. One reason was that Norris was primarily concerned with flood control and navigation on the Tennessee River. He saw, however, that by building reservoirs to hold back flood waters, power could be produced at relatively small cost and distributed to customers at reasonable rates. In every debate on the subject prior to passage of the bill, the Senator said that power was important only because it would "contribute most to the recovery of the necessary outlays of public funds to carry out all of the objectives of the TVA." Another reason that framers of the bill subordinated power to flood control and navigation was that these purposes most clearly provided a constitutional basis for the experiment.[66]

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[65] Lief, Democracy's Norris, 412-20; McCraw, TVA and the Power Fight, 34-36; Einaudi, The Roosevelt Revolution, 161-62; King, The Conservation Fight, 267-76.

As one of its final goals, the Tennessee Valley Authority Act set forth its aim to generate the greatest amount of electrical power that was consistent with its major objectives of maximum flood control and navigability of the Tennessee River. Other goals of the Authority as expressed in the legislation included reforestation, proper use of marginal lands in the valley, the agricultural and industrial development of the area, national defense and improvement of the social and economic welfare of the residents of the valley.[67]

Thus, this act constituted the first significant victory for the conservationists' concept of multi-purpose resource development, and this principle was successfully applied by the Authority. Dams were built with this approach in mind so that the maximum benefit could be gained from flood control, navigation and electricity. Operation of the dams also reflected application of the multi-purpose concept. Since the level of water desired for flood control might differ from that level best suited for generation of hydro-electricity, the dams at times were controlled in such a way that the power potential was diminished.[68]

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[66] Norris, Autobiography, 260-67; McCraw, TVA and the Power Fight, 71; Einaudi, The Roosevelt Revolution, 163.

[67] Einaudi, The Roosevelt Revolution, 162-65; Norris, Autobiography, 267.

Provisions in the act of administration of the Tennessee Valley Authority also reflected the unified approach to river development. Instead of the usual pattern which had the Department of Agriculture dealing with the problems of farmers, the Corps of Engineers working on flood control and navigation and the Department of the Interior concerning itself with reclamation and power, the Tennessee Valley Authority, which was set up as a corporate public agency, had responsibility for all aspects of the unified improvement and the wise use of the natural resources of the area. David Lilienthal described this departure from tradition:

> Congress in creating TVA broke with the past. No single agency had in this way ever been assigned the unitary task of developing a river so as to release the total benefit from its waters for the people.[69]

The Tennessee Valley Authority had responsibility for administrative decisions clearly fixed in the Board with the chairman reporting directly to the President, and Congress was required by law to cooperate with and through state and local agencies.[70]

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[68] McCraw, TVA and the Power Fight, 71; David Lilienthal, TVA: Democracy on the March (2d ed., New York, 1953), 51-54.

[69] Lilienthal, TVA: Democracy on the March, 54.

[70] Ibid., 164-74; Einaudi, The Roosevelt Revolution, 169-75.

Roosevelt's choice of the three directors to serve on the board of the Authority also appeared promising for the successful application of the broad, unified method of developing and integrating human and natural resources. The first chairman, Arthur E. Morgan, as well as the other directors, Harcourt Morgan and David E. Lilienthal, whom President Roosevelt chose for their knowledge of agriculture and utilities respectively, all viewed the Authority as a multiple-purpose enterprise. However, a difference of opinion over which component or components of the multiple-purpose project should be emphasized had a good deal to do with the unbreachable rift that developed between Chairman Morgan and David Lilienthal. Interested in achieving "an integrated social and economic order," Morgan thought the power program should be a subordinate function of the Authority and favored cooperating and making deals with private utility companies in order to achieve his end of "rational social change."[71] Lilienthal, on the other hand, was passionately devoted to bringing cheap power to the people of the Valley, to the Authority's serving as a "yardstick" and to upholding the public tradition as against big business.[72]

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[71] Schlesinger, The Politics of Upheaval, 365; see also McCraw, TVA and the Power Fight, 37-43, Lilienthal, TVA: Democracy on the March, 5; Hawley, The New Deal and the Problem of Monopoly, 338-39.

[72] Hawley, The New Deal and the Problem of Monopoly, 339; McCraw, TVA and the Power Fight, 43-46.

For a time, it appeared that the cooperative approach favored by Morgan might win out as a way to avoid conflict between the public and private sectors. Early in 1934, the Tennessee Valley Authority and the Commonwealth and Southern Company reached an interim agreement that pleased both sides and "marked the high point in good feeling between the public and private traditions in the Tennessee Valley."[73] The contract included an agreement by Commonwealth and Southern not to sell electricity in certain specified countries in Alabama, Mississippi and Tennessee, and these areas would be "ceded" to the Authority, along with the transmission lines to connect them. For its part, the Tennessee Valley Authority agreed not to encroach any further on the markets of Commonwealth and Southern. However, when this agreement lapsed in 1936, efforts to effect a southeastern power pool, in which the Tennessee Valley Authority and the private company would jointly own a grid transmission network, failed. By then the atmosphere had changed and tension between public and private power interests was increasing.[74]

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[73] McCraw, TVA and the Power Fight, 66. One of the largest of the utility holding companies, Commonwealth and Southern was a well-run organization. The company comprised thirteen major subsidiaries, eleven of which were mainly electric utilities. The southern group was made up primarily of Alabama Power, Tennessee Electric Power and Georgia Power; see ibid., 50-51.

[74] Schlesinger, The Politics of Upheaval, 363-64; McCraw, TVA and the Power Fight, 65-66, 99-104; Hawley, The New Deal and the Problem of Monopoly, 337-38.

Private power companies had begun attacking the Authority in the courts. In the spring of 1935, a Federal district court judge had ordered the 1934 contract annulled, declaring it unconstitutional for Alabama citizens to purchase power directly from the Government at Muscle Shoals. As the case was being appealed, the Tennessee Valley Authority's power program was curtailed and in some cases halted. This lower court decision was reversed by the Supreme Court in February 1936, thus upholding the constitutionality of the building of transmission lines by the Governmental body but leaving in abeyance the question of the constitutionality of the Tennessee Valley Authority law itself. In all, thirty-four suits were filed in the courts against the Authority.[75]

Although Roosevelt kept trying to reach agreement on the pool, events continued to transpire that increased tension between the Government and the private power companies. For example, public power proponents began to actively oppose the plan for cooperation. Progressives Robert LaFollette, Jr. and Norris denounced the power pool proposal as a "sell-out" to the Power Trust. Norris railed at the "enemies" of the Tennessee Valley Authority and wrote the President that Commonwealth and Southern "would destroy you in a minute if they had the power."[76]

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[75] Schlesinger, The Politics of Upheaval, 364-67; McCraw, TVA and the Power Fight, 109-18.

[76] Lief, Democracy's Norris, 482; see also Schlesinger, The Politics of Upheaval, 367-69; McCraw, TVA and the Power Fight, 103-04.

Public power advocates in Congress lined up a bloc to oppose the pool, and although initially in favor of the proposal, Lilienthal turned against it.

Furthermore, after Roosevelt's sweeping victory in the 1936 election, Government officials decided there was no longer any need to cooperate with the private utilities. When the nineteen companies succeeded in securing an injunction, which in effect paralyzed the Tennessee Valley Authority's power operations, Roosevelt agreed with Lilienthal that the negotiations should be broken off. Once halted, they were never again resumed although an appellate court later ordered the injunction vacated.[77]

This "pool" episode revealed a split among liberals on the issue of electric power. Some believed that the only solution was complete public ownership with a life and death struggle to attain it. Others, however, advocated a partnership or cooperation between the two traditions in order to bring low-cost electric power to as many people as possible. Members of Congress who favored the former approach included Norris, LaFollette and Representative John Rankin of Mississippi; Administration officials included Harold L. Ickes of the Public Works Administration and David Lilienthal of the Tennessee Valley Authority. Advisors to the President on Tennessee Valley Authority power activities who favored the cooperative approach included Chairman Arthur Morgan, who deplored social conflict; Basil Manly, Vice-Chairman of the Federal Power Commission, who thought the economic potential of pooling outweighed the dangers of compromise; Morris L. Cooke, Administrator of the Rural Electrification Administration, who wanted to use the Tennessee Valley as a showcase for pooling and Dr. Alexander Sachs, originator of the pooling idea and formerly an economic planner with the National Recovery Administration, who stressed the economic advantages of cooperation.[78]

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[77] McCraw, TVA and the Power Fight, 103-07; Schlesinger, The Politics of Upheaval, 369; Hawley, The New Deal and the Problem of Monopoly, 338.

This split was mirrored in the President's own attitude. Roosevelt wanted to make electric power available to great numbers of people and he wanted business recovery as well. He tried to negotiate with the private utilities, but, their resort to court injunction angered him. Furthermore, Roosevelt saw that the Power Trust was a political enemy he could use to good advantage. In the end, the President came down on the side of Lilienthal, fired Morgan and broke off negotiations with the power companies.[79]

With the cooperative approach dead, the power companies resumed their fight, but the Government emerged the final victor. In 1939 the Supreme Court upheld the constitutionality of the Tennessee Valley Authority Act itself; consequently, the Commonwealth and Southern Company sold its ten electric power company system to the Federal government. Although the selling price was high ($78 million), the major triumph lay with the Authority and its negotiator Julius A. Krug because the Government body was now rid of its competition.[80]

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[78] McCraw, TVA and the Power Fight, 105-07.

[79] Ibid., 107; Hawley, The New Deal and the Problem of Monopoly, 340-41; Schlesinger, The Politics of Upheaval, 368-71; David E. Lilienthal, The Journals of David E. Lilienthal: The TVA Years, 1939-45 (New York, 1964), 72-74.

The Tennessee Valley Authority thereafter became an undeniable success. By 1939, it had won all its lawsuits and had a large, integrated territory. The grass roots approach of using state and local agencies to implement its program when possible helped make the Authority accepted in the Valley. Furthermore, it obviously improved the lives of the inhabitants. By 1943, it had built twenty-one dams, brought electricity to one out of five families, doubled consumption of electric power in the Valley and demonstrated that with increased use of electricity, rates could be lowered. In addition, the Authority increased navigability of the Tennessee River, acted as a stimulator to the production and use of new, more effective fertilizer; carried out a large reforestation program and helped bring to the area industrial development, improved recreation facilities, road construction and increased educational facilities.[81]

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[80] Hawley, The New Deal and the Problem of Monopoly, 340; McCraw, TVA and the Power Fight, 120-23, 133-39; Lilienthal, Journals: The TVA Years, 119-21.

VI

In addition to establishing the Tennessee Valley Authority, the Federal government during the New Deal took various other actions in the field of electric power that furthered liberal aims. One was the application of the concept of multiple-purpose development to other rivers. By 1936 almost twenty major dams were being built by the Corps of Engineers and the Bureau of Reclamation. Among these were the Bonneville Dam on the Columbia and Fort Peck Dam on the Missouri, constructed by the Engineers, and the Grand Coulee on the Columbia and the Boulder on the Colorado, built by the Reclamation Bureau.

These multi-purpose dams were usually not built with power generation as a major purpose. However, the Government decided that, despite the warning from private utilities of creeping socialism and lack of need, it would be foolish not to take advantage of the power potential created by these structures.

With the passage of the Boulder Canyon Project Act in 1928, Bureau of Reclamation officials became aware for the first time of the important role that power revenues would play in the development of the West. To help finance the great multi-purpose projects of flood control, irrigation and water supply envisioned in the act, revenues from the sale of power generated at the dam would be necessary. The use of power revenues to finance repayment of the cost of building Boulder Dam led the way for future multi-purpose projects.[82]

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[81] McCraw, TVA and the Power Fight, 140-41; Lilienthal, TVA: Democracy on the March, 125; Schlesinger, The Politics of Upheaval, 373-75; Norris, Autobiography, 270-71; Einaudi, The Roosevelt Revolution, 176-79.

The largest project was the Grand Coulee Dam, which was built across the Columbia River in eastern Washington. For years the citizens of the area had dreamed of harnessing the energy of this great river and putting it to use for irrigation and power. The Bureau of Reclamation had proposed its construction in 1932, but Hoover refused to take the plan to Congress. Roosevelt was willing to authorize a $60 million project, although he had doubts about the size of the dam as planned by some of its advocates. Numerous and vociferous, opponents argued that there was no market in the area for the power and that there would not be for years to come. However, a dam that was the largest man-made structure in the world was built, promising cheap and abundant power, reclamation of millions of acres of land and control of the river's waters.[83]

VII

In addition to liberal power policy achievements in multiple-purpose river development as evidenced by these Government built dams, the Roosevelt Administration also established the Rural Electrification Administration as a part of the New Deal. Liberals' aims of reducing the control of private industry over the basic needs of society and of opening new markets by stimulating increased use of electricity were effectively adopted and applied in this agency's programs.

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[82] Address, H. F. McPhail, "The Development of Power by the Federal Government," Office File of C. Girard Davidson, R.G. 48, N.A.

[83] George Sundborg, Hail Columbia: The Thirty-Year Struggle for Grand Coulee Dam (New York, 1954), ix-x; Schlesinger, The Politics of Upheaval, 377-78.

The idea of rural electrification had its beginnings as a part of the public power concept that had been developing since the early part of the century. In addition to Gifford Pinchot, Franklin D. Roosevelt and George Norris, who had been involved for a number of years in efforts to educate the public regarding "conditions, adequacy and costs of service" of public power, a number of progressives in Congress like Robert LaFollette of Wisconsin, William E. Borah of Idaho, Smith Brookhart of Iowa and Charles McNary of Oregon were also advocating public power and particularly rural electrification.[84] Those who favored a government sponsored program of bringing electricity to the nation's farmers cited as precedents the Tennessee Valley Authority and the irrigation districts of the Far West.

Further groundwork for the Rural Electrification

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[84] H. S. Person, "The Rural Electrification Administration," Agricultural History, XXIV (1950), 70; M. S. Childs, The Farmer Takes a Hand: The Electric Power Revolution in Rural America (Garden City, N.Y., 1952), 47.

Administration was laid by the contributions of Morris L. Cooke. In the twenties Cooke had directed Governor Gifford Pinchot's Pennsylvania Giant Power Survey, which introduced to him the subject of rural electrification. The report issuing from this survey emphasized the need for public support for such a program, and, although the legislation it recommended was not enacted by the Pennsylvania legislature, the survey attracted wide attention throughout the country. Subsequently appointed by New York Governor Franklin Roosevelt as a trustee of the New York Power Authority, Cooke continued to analyze the cost of power distribution to determine whether the consumer was being overcharged.[85]

It was Cooke to whom Roosevelt went for advice for his 1932 campaign speech on public power that he delivered in Portland, Oregon. A general statement on the purpose of government contained in that speech revealed both men's devotion to liberalism:

> As I see it, the object of government is the welfare of the people. The liberty of people to carry on their business should not be abridged unless the larger interests of the many are concerned. When the interests of the many are concerned, the interests of the few must yield. It is the purpose of government to see not only that the legitimate interest of the few are

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[85] Schlesigner, The Politics of Upheaval, 379-81; Person, "The Rural Electrification Administration," 70-71, n. 3; Kenneth E. Trombley, The Life and Times of a Happy Liberal: A Biography of Morris Llewellyn Cooke (New York, 1954), 103-10; Childs, The Farmer Takes a Hand, 48-49; U.S. Department of Agriculture, Rural Lines U.S.A.: The Story of the Rural Electrification Administration's First Twenty-five Years, 1935-1960 (Washington, D.C., 1960), 6-7.

> protected but that the welfare and rights of the many are conserved. . . . This, I take it, is sound government--not politics.[86]

A follower of Frederick W. Taylor, the scientific management proponent, Cooke was committed to a liberalism that would use the technological fruits of the industrial revolution for the good of society. It was with this aim in mind that Cook had been urging Federal leadership in funding independent, self-liquidating rural electrification projects and that he again recommended such action in a report made with the support of Secretary Ickes in early 1934. Concerned about his discovery that only about 650,000 farmers out of 6 million in the country had any electric service, Cooke presented evidence that farm electrification was economically feasible and that without a government program very little would ever be accomplished.[87] This report, together with the support of the Natural Resources Board, Ickes, Hopkins, Norris and the President himself, helped spawn the Rural Electrification Administration, which was created by Executive Order of May 11, 1935.[88]

One objective of the executive order was part of a larger, fundamental goal of the New Deal--to put purchasing power in the hands of those who were presently unemployed and thus bring about recovery from the depression.

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[86] Quoted in Trombley, The Life and Times of a Happy Liberal, 111.

[87] Ibid., 144-45; Childs, The Farmer Takes a Hand, 54-55; Schlesinger, The Politics of Upheaval, 381.

[88] Childs, The Farmer Takes a Hand, 54-55.

The Rural Electrification Administration, therefore, was established as a part of the works relief program under authority of the Emergency Relief Appropriation Act of 1935. As such, it was supposed to observe regulations set up for the whole program: at least 25 per cent of the funds appropriated were to be spent for labor and 90 per cent of the labor was to be taken from relief rolls.[89]

Cooke soon found, however, that the Rural Electrification Administration's program was too specialized to permit it to be run in a way similar to that of established relief agencies since constructing the transmission lines required skilled labor which was seldom found on the relief rolls. Hence, he persuaded Roosevelt, Hopkins and Ickes to allow him to operate the Administration as a lending agency. After a delay caused by uncertainty regarding the Rural Electrification Administration's legal power to make loans, the Comptroller General cleared the way for Regulation No. 4, which the President issued on August 7 and which put Cooke's request into effect.[90] H. S. Person, consulting economist for the agency, has described this regulation as "probably the most far reaching fundamental policy decision in the history of REA" because it "established promotion of rural electrification as an orderly lending program on an interest-bearing, self-liquidating basis," made rural electrification "a national business investment" and made it possible for the number of electrified farms to increase within fifteen years from 10.9 per cent to approximately 78 per cent of all farms.[91]

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[89] Trombley, The Life and Times of a Happy Liberal, 146-47; Person, "The Rural Electrification Administration," 71; Schlesinger, The Politics of Upheaval, 381-82.

[90] Person, "The Rural Electrification Administration," 73; Schlesinger, The Politics of Upheaval, 382; Trombley, The Life and Times of a Happy Liberal, 147; Childs, The Farmer Takes a Hand, 56-58; U.S. Department of Agriculture, Rural Lines, U.S.A., 7.

Faced with the problem of deciding to whom the money intended to increase rural electrification would be lent, Cooke turned first to private companies since they had equipment, personnel and franchises in hand. However, he soon became disenchanted with the cooperative approach when representatives of the utility companies in a formal report to Cooke suggested a program of investing over a quarter of a billion dollars during the first year but added that they would not be able to lower rates to farmers or simplify rate schedules as the Government agency required. They stated further that few farms needed electricity for major operations; that the farmers' real problem was not rates but financing, wiring and appliances and that the farmers were "the most favored class of customers to which service is rendered."[92]

Unimpressed by this line of argument, Cooke tried without success to convince the companies that if they would invest money and lower rates, they would gain farm customers who could afford appliances, and thereby make a profit. Realizing that coming to terms with utility companies, which were engaged in a battle with the Administration over both the Tennessee Valley Authority and the holding company legislation pending in Congress, was highly unlikely, Cooke then tried to interest municipalities in extending their lines into rural areas. Again he failed. Some municipalities were satisfied with things as they were, while others feared such a move would anger the electrical industry and perhaps hurt them politically. Cooke then embarked on a program of encouraging farmer-established non-profit cooperatives for carrying on the Rural Electrification Administration program.[93]

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[91] Person, "The Rural Electrification Administration," 73.

[92] Ibid., 73-74; Childs, The Farmer Takes a Hand, 58-59; Schlesinger, The Politics of Upheaval, 382; Trombley, The Life and Times of a Happy Liberal, 148.

The utility companies fought back. They opposed bills introduced in Congress by Senator George Norris and Representative Sam Rayburn to make the Rural Electrification Administration an independent agency and resisted efforts by public power proponents to make private companies ineligible for Rural Electrification Administration loans. The Rural Electrification Act, passed on May 20, 1936, which established the body as a permanent Federal agency, represented a compromise. Private companies could apply for loans under this measure, but non-profit agencies would receive preference. The Act also stipulated that the Rural Electrification Administration could not make grants but only loans and then only to "self-liquidating" rural electrification projects which could assure a repayment of the loan with interest within twenty-five years. Once the agency was established permanently, the utility companies changed their tactics by using "snake lines" and "spite lines" and sending out "flying squads" of public relations men to thwart the Rural Electrification Administration program. The latter preyed on uncertainties and fears of farmers who were considering setting up cooperatives by telling them, for example, that agency materials and electricity were inferior and that private companies would bring in the lines soon.[94]

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[93] Person, "The Rural Electrification Administration," 74; Trombley, The Life and Times of a Happy Liberal, 149; Childs, The Farmer Takes a Hand, 60-63; Schlesinger, The Politics of Upheaval, 382-83.

As a result of these techniques, as well as problems in engineering, bookkeeping and law, cooperatives proceeded very slowly so that at the end of the first year of its existence, the Rural Electrification Administration had installed fewer rural lines than private companies had, and this situation changed little after the Rural Electrification Act was passed. By 1937, with the election over and

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[94] Trombley, The Life and Times of a Happy Liberal, 251-52; Schlesinger, The Politics of Upheaval, 383; Childs, The Farmer Takes a Hand, 65-66; Person, "The Rural Electrification Administration," 75; Ernest R. Abrams, Power in Transition (New York, 1940), 32. "Spite lines" were lines sent through the thickly populated areas where the cooperative was counting on the people signing up, while "snake lines" were so called because they pushed out in all directions to create the same results.

President Roosevelt securely in office, Cooke began a program of informing farmers about the advantages of cooperatives and helping in the organization of such groups. Under John M. Carmody, who became administrator in May 1937, the program advanced rapidly. Loans expanded to $227 million by June 1939.[95]

The loan program continued to grow, and electrification of farms proceeded at an even more rapid rate after the Rural Electrification Administration became a part of the Department of Agriculture in July 1939 and after Harry Slattery succeeded John Carmody as Administrator in September of the same year. In 1941 the agency approved over $100 million in loans--its largest year to date. By 1942, nearly 40 per cent of the farms in the United States had electricity as compared with 10.9 per cent just before the original Rural Electrification Administration was established.[96]

Difficulties of securing building materials during the war reduced but did not halt Rural Electrification Administration activities. In January 1943, the War Production Board, recognizing the contribution of rural electrification to the war effort, relaxed its restrictions.[97]

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[95] Schlesinger, The Politics of Upheaval, 384; Trombley, The Life and Times of a Happy Liberal, 155-73; Childs, The Farmer Takes a Hand, 70-72; Abrams, Power in Transition, 32.

[96] U.S. Department of Agriculture, Rural Lines, U.S.A., 33.

[97] Ibid.

In 1943 representatives of Rural Electrification Administration cooperatives formed the National Electric Cooperative Association. Headed by former Congressman Clyde Ellis, this group announced that its purpose was to exchange information. However, such diverse people as Edward Vennard, a utility company representative, and David Lilienthal of the Tennessee Valley Authority, agreed that its aim was to lobby in Congress whenever rural electrification matters came up.[98]

That the Rural Electrification Administration now was an established success was demonstrated in 1944 when Congress extended its loan authority for an indefinite period.[99]

VIII

Another accomplishment of the Roosevelt Administration in building a liberal power record was its drafting of a measure for the lessening of control of the Power Trust over the distribution and sale of electric power. Based on this suggested bill, worked out by the National Power Policy Committee, the Public Utility Act of 1935 provided in Title I the famous "death sentence" clause for immediate dissolution of holding companies containing over three tiers of companies and the limitation of smaller systems to single utility systems after January 1, 1938. The Securities and Exchange Commission, the body under which the regulation of the securities of holding companies was placed, was granted the power after 1940 to force all holding companies that could not justify their existence economically to dissolve. In the spirit of the New Freedom aspect of progressivism, this part of the act aimed to free operating companies from the holding company system. It constituted an attack on bigness and a move for individual enterprise.[100]

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[98] Edward Vennard, Government in the Power Business (New York, 1968), 283-87; Lilienthal, Journals: The TVA Years, 586-87.

[99] U.S. Department of Agriculture, Rural Lines, U.S.A., 34.

Title II of this act gave the Federal Power Commission authority to regulate mergers, issues of securities and property sales of companies that transmitted electricity across state lines. The Commission was further granted the power to "integrate the operating companies into regional systems on the basis of technical efficiency."[101]

The holding companies, and conservatives generally, fought back. Although the measure was far from liberal, conservatives attacked it. They defended the holding companies by crediting them with building the great electric power system in America and with providing the bread and single utility systems after January 1, 1938. The Securities and Exchange Commission, the body under which the regulation of the securities of holding companies was placed, was granted the power after 1940 to force all holding companies that could not justify their existence economically to dissolve. In the spirit of the New Freedom aspect of progressivism, this part of the act aimed to free operating companies from the holding company system. It constituted an attack on bigness and a move for individual enterprise.[100]

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[100] Schlesinger, The Politics of Upheaval, 306-07; Hawley, The New Deal and the Problem of Monopoly, 336-37.

[101] Schlesinger, The Politics of Upheaval, 306; see also Hawley, The New Deal and the Problem of Monopoly, 336-37; Twentieth Century Fund, Electric Power and Government Policy, 279-80.

Title II of this act gave the Federal Power Commission authority to regulate mergers, issues of securities and property sales of companies that transmitted electricity across state lines. The Commission was further granted the power to "integrate the operating companies into regional systems on the basis of technical efficiency."[101]

The holding companies, and conservatives generally, fought back. Although the measure was far from liberal, conservatives attacked it. They defended the holding companies by crediting them with building the great electric power system in America and with providing the bread and butter for millions of small stockholders. Holding companies themselves assumed that the act was unconstitutional and refused to register with the Securities and Exchange Commission as the law required. The resultant stalemale was not broken until 1938 when the Supreme Court upheld the registration requirements of the law, and the Commission at last asked the holding companies to submit plans for simplification.[102]

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[100] Schlesinger, The Politics of Upheaval, 306-07; Hawley, The New Deal and the Problem of Monopoly, 336-37.

[101] Schlesinger, The Politics of Upheaval, 306; see also Hawley, The New Deal and the Problem of Monopoly, 336-37; Twentieth Century Fund, Electric Power and Government Policy, 279-80.

IX

Thus it appeared in the late thirties that the liberal approach to electric power policy was winning out on various fronts under the New Deal. However, reformers could and did criticize the Administration for its two major failures: (1) it did not establish any additional valley authorities and (2) it did not work out an effective, broad power policy.

President Roosevelt appeared to favor the establishment of further valley authorities. In 1933 when recommending the Tennessee Valley Authority legislation to Congress he said he hoped the United States could, if successful in that endeavor, "march step by step, in a like development of other great natural territorial units within its borders."[103] Despite such statements and the fact that

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[102] Hawley, The New Deal and the Problem of Monopoly, 337; Schlesinger, The Politics of Upheaval, 309; Twentieth Century Fund, Electric Power and Government Policy, 333-34.

[103] Samuel I. Rosenman, ed., The Public Papers and Addresses of Franklin D. Roosevelt, 1933; The Year of Crisis (New York, 1938), 123.

Roosevelt considered the Tennessee Valley Authority a special New Deal accomplishment, no more such organizations were established during his years in office.

There were various reasons for this failure. One was the strength of the private power interests and their allies and the effectiveness of their propaganda campaign. Most businessmen sided with the private utilities in opposing valley authorities, and their spokesmen--the powerful United States Chamber of Commerce and the National Association of Manufacturers--often made anti-Tennessee Valley Authority statements. Although the Authority developed an information service that competently told its story through such devices as magazine articles, pamphlets, photographs, exhibits at conventions and schools, guided tours and motion pictures, the private utilities were even more successful in getting across their side of the story. Through ads in newspapers and national magazines and through such spokesmen as Wendell L. Willkie, they attacked public power in general and the Tennessee Valley Authority in particular.

These private power advocates argued that all the people of the United States were paying to bring cheap electricity to the people of the Tennessee Valley and that what happened to Commonwealth and Southern would soon happen to other industries. Furthermore, they claimed, small investors were being hurt by Roosevelt's power program because it made the market for utility securities shaky which in turn undermined confidence in business and hindered economic recovery. Since such propaganda could hardly result in a rush by investors to provide capital for utility construction, some public power proponents accused the companies of being politically motivated. This "investment destruction" argument was especially effective during the recession of 1937-38, in spite of the fact that it conflicted with another favorite argument of the private sector--that there was no shortage of power, hence there was no need for hydro-electric power projects.[104]

Another factor contributing to the failure to achieve any new Valley authorities during Roosevelt's Presidency was the lack of agreement among Administration and other advocates of reform as to how to proceed. One aspect of this dissension pertained to the whole question of what was the proper solution to the power problem. Radicals, who favored more Valley authorities, wanted to extend public ownership and when war threatened advocated the use of national defense to advance their programs. Moderates, however, continued to propose better regulation of private power companies. Some measures were passed early in the New Deal that were designed to tighten regulation. For example, the Federal Power Act of 1935 was intended to close the loophole caused by state public service commissions' lack of authority to set rates for power that was sent across state lines. It granted to the Federal Power Commission partial control over the interstate business of electric utility companies.[105]

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[104] McCraw, TVA and the Power Fight, 46-55.

A second aspect of this dissension concerned the organizational structure of the proposed Valley authorities. Some Administration devotees of the plan argued that the agencies should be independent like the Tennessee Valley Authority, while others wanted them to be put under the jurisdiction of the Department of the Interior. Secretary of the Interior Ickes, who favored placing all power agencies, including the Tennessee Valley Authority, in his department, thought any new authorities should be run by a single administrator (as in the case of Bonneville Power Administration) with all the administrators centrally administered by Interior. David Lilienthal, on the other hand, believed that the regional authorities should be run by three-man boards situated in the regions and reporting directly to the President. Other agencies--namely the Department of Agriculture and the Army Corps of Engineers--opposed any extension of the Tennessee Valley Authority idea because it would undermine their vested interests. They used their political power to make any such decentralization, and hence loss of their power, impossible.[106]

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[105] Bonbright, Public Utilities and the National Power Policies, 31.

[106] Lilienthal, TVA: Democracy on the March, xiv-xv; Lilienthal, Journals: The TVA Years, 125-38; Einaudi, The Roosevelt Revolution, 188; McCraw, TVA and the Power Fight, 155-59; Harold L. Ickes, The Inside Struggle, 1933-1939 (New York, 1954), 632; Harold L. Ickes, The Lowering Clouds, 1939-1941 (New York, 1955), 400.

A third explanation for the fact that no more valley authorities were created during this period is that President Roosevelt failed to give the plan his clear support. In early 1937 it appeared that he was ready to push for such a program as Norris had suggested when, on February 15 he called for "enough TVA's to cover the entire country." The President during a talk with Norris, sketched out a map of the United States and drew seven regions on it. He then told the Power Policy Committee that Tennessee Valley Authority-type agencies would be set up for these areas according to a plan he had discussed with the Senator and directed the Committee to draft legislation to cover it. Roosevelt wrote the Tennessee Valley Authority board asking that it send directly to him a tentative report on administrative organization because of its bearing on "proposed other regional authorities in other parts of the country" and sent a message to Congress calling for seven regional authorities or agencies.[107] But the "seven sisters" plan as proposed in the Norris bill was buried in Congress, doomed from the first because of the President's lack of a commitment to a specific plan and his desire both to avoid an open break within his

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[107] Quoted in William E. Leuchtenburg, "Roosevelt, Norris and the 'Seven Little TVA's,'" The Journal of Politics, XIV (1952), 430; see also Lilienthal, Journals: The TVA Years, 253; Ickes, The Inside Struggle, 80-81; Vennard, Government in the Power Business, 109-10; Leuchtenburg, "Roosevelt, Norris and the 'Seven Little TVA's,'" 429, 436; Leuchtenburg, Franklin D. Roosevelt and the New Deal, 251.

Administration over national resource planning and to allow room for compromise by the Congress.

Roosevelt was willing to compromise not only because he wanted to avoid a rift in his Administration but also because he believed that setting up a central planning body to coordinate the work of other agencies and set priorities was more important than whether the agency would administer as well as plan. Thus he allowed Secretary of Agriculture Henry Wallace and Secretary of War H. A. Woodring, who feared that under the Norris plan their departments would lose power, to see that various amendments were added to the Norris bill in the Senate committee. The President then had a second bill drafted to be introduced into the House by Congressman Mike Mansfield which was so ambiguously worded that under it regional planning agencies might or might not have administrative powers as Congress would decide. Neither the Norris nor the Mansfield proposal received much attention in Congress.[108]

The overlapping of Federal authority in the resource conservation field and the varied aims of Administration officials also contributed to the failure to extend the Tennessee Valley Authority idea. Because of their desire to maintain their bureaucratic power, the government departments concerned with resource development often worked at cross purposes with the principle of unified management of river valleys and other liberal power policy objectives. Furthermore, the ways in which the Government entered the electric power field influenced its organization, or lack of organization. The Army Corps of Engineers, assigned under law in its civil functions the responsibility for flood control and navigation, traditionally worked downstream, while the Bureau of Reclamation in the Department of Interior, charged under Federal Reclamation laws with the "construction and maintenance of irrigation works for the storage, diversion, and development of waters for the reclamation of arid and semiarid lands" of the seventeen western states, worked upstream.[109] With such vested interests and divergent aims existing among agencies of the Government concerned with resource development, it is not surprising that neither additional river basin authorities nor a clearly defined power policy was established.

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[108] McCraw, TVA and the Power Fight, 158; Leuchtenburg, "Roosevelt, Norris and the 'Seven Little TVA's,'" 428-33; Hawley, The New Deal and the Problem of Monopoly, 339-40.

The Roosevelt Administration did work out a piecemeal power policy. It established the Tennessee Valley Authority and spoke of extending that type of program to other rivers, set up the Rural Electrification Administration and encouraged the holding company legislation. It also created a power policy in its program for granting subsidies and loans to municipalities for power plants and distribution systems and in its directing the Federal Power Commission to prepare and publish results of rate studies. However, these steps were not parts of a coordinated plan; no general power policy was enunciated.

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[109] Memorandum, Commissioner of Reclamation Michael W. Strauss, "Information Responsibility of Bureau of Reclamation," Office File of C. Girard Davidson, Reclamation, 1946-48, R.G. 48, N.A.; Schlesinger, The Politics of Upheaval, 376; Twentieth Century Fund, Electric Power and Government Policy, 488; Maass, Muddy Waters, 21.

As early as 1934 Administration officials realized that when the time came to dispose of the power from the dams being built or planned, the Government would have to consider the establishment of such a policy. Morris L. Cooke told Ickes that such a step was very important to avoid private industry's criticism of certain government actions as being "opportunistic if not illogical."[110] Ickes agreed. At his urging, President Roosevelt in 1934 appointed the National Power Policy Committee with Ickes as Chairman. Also chosen to be members were Cooke; Robert M. Healy of the Securities and Exchange Commission; David E. Lilienthal; Elwood Mead, Commissioner of Reclamation; Frank McNinch of the Federal Power Commission and T. W. Norcross, Chief Engineer of the Forest Service. Set up in the Public Works Administration, the committee was charged with the tasks of developing a general policy for both public and private power and of considering the problem of Federal regulation of holding companies. Another group working on the policy problem at this time was the National Resources Board, which was replaced in 1934 by the National Resources Committee.[111] While these bodies deliberated, a policy of sorts evolved in a piecemeal fashion.

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[110] McCraw, TVA and the Power Fight, 80.

The Tennessee Valley Authority had to face the problem of the lack of a general power policy at its very beginning; in fact, formulating a policy of its own was its first important task. Worked out by Lilienthal and Arthur Morgan, in consultation with President Roosevelt, the policy statement announced by the Authority on August 25, 1933, contained eleven points. The first point stated clearly the philosophy of those who advocated public ownership: "The business of generating and distributing electric power is a public business." The next three points and point six attested to the superiority of the public interest over private in the use of power and stated that where conflict between the two arose, the public interest must prevail but added that the two should be reconciled if it could be done without injuring the public interest. Point five declared the right of communities to own and run their own power plants--a weapon that could be used to obtain reasonable rates either by taking over the existing plant or setting up a competing one. Points seven and eight set forth the geographical area which the Tennessee Valley Authority intended to serve for its "yardstick" and stated that it would consider going outside this area in order to serve the public interest. The final three points stated that the Authority would attempt to avoid duplication where wasteful and in competition with private utilities and would conduct accounting open to the public and in such a way as to show that comparisons could be made with private utility charges in order to provide a "yardstick" for rates.[112]

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[111] Ibid., 80-81; Schlesinger, The Politics of Upheaval, 362, 378.

After announcing this policy, which could be interpreted either as a willingness by the Tennessee Valley Authority to cooperate with private power interests or as a declaration of war, the Authority then proceeded to establish a rate schedule for its electricity that was about half the amount of the average residential rate in the United States.

Although the Authority's policy would influence policy decisions made by Administration officials regarding electric power elsewhere in the country, there was still no broad, general statement that these executives could follow. The Power Policy Committee did come up with a Power Trust control measure, but it failed in its main reason for being. Roosevelt's aim had been to develop

> a plan for the closer cooperation of the several factors in our electrical power supply--both public and private--whereby national policy in power matters may be unified and electricity made more broadly available

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[112] U.S., Annual Report of the Tennessee Valley Authority, 1934 (Washington, D.C., 1934), 22-24; Einaudi, The Roosevelt Revolution, 180-81; McCraw, TVA and the Power Fight, 57-58.

> at cheaper rates to industry, to domestic and, particularly, to agricultural consumers.[113]

The failure to develop a broad power policy, despite the urgings of Vice Chairman Cooke and the Committee's executive secretary, Joel D. Wolfsohn, resulted in part from the concern of most of the members for protecting the prerogatives of their own agencies and their inability or unwillingness to view the power question as a whole. One agency that usually opposed the policy proposals made by the President and by interagency committees like the Power Policy Committee and the National Resources Policy Board was the Corps of Engineers. An example was the attitude taken by the Corps on power distribution policy in 1936-37. At that time, Roosevelt reactivated the nearly defunct Power Policy Committee in order to draw up a Federal power program that would fit in with his plan for executive reorganization and also to deal with the problem of disposing of the electric power that was being produced at the Bonneville Dam project.[114]

During the debate on legislation recommended by the Power Policy Committee to the President and sent by him to Congress, Corps of Engineers spokesmen opposed setting uniform rates for the Pacific Northwest on the ground that it would be too costly. They also objected to the Government's building what they termed a super-power network of transmission lines. The Corps agreed with private power companies, which had opposed authorization of Coulee and Bonneville, that there was no market for this power in the Northwest and that the Government was building great white elephants. Interested primarily in the factor of reimbursement and economy, the Engineers were little concerned with social or economic objectives that might be attained through bringing low-cost power to the area. In the year preceding passage of the bill in 1937, measures had been introduced in Congress authorizing the Corps to run Bonneville and to have charge of power disposal from it. This would have been tantamount to selling it to private companies at the bus bar (where the transmission system connects to the powerhouse).[115]

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[113] Letter, Franklin D. Roosevelt to Harold Ickes, July 9, 1934, National Power Policy Committee, General File, R.G. 48, N.A.

[114] McCraw, TVA and the Power Fight, 81-82; Maass, Muddy Waters, 198; Schlesinger, The Politics of Upheaval, 378-79.

The Bonneville Project Act, which was passed in 1937, however, called for the Corps of Engineers to be involved only in the operation of the navigation facilities at Bonneville, while the Secretary of the Interior was directed to appoint an independent administrator to build up a northwestern grid system connecting Bonneville with Grand Coulee. The act specifically stated that the administrator would, in disposing of this power, at all times "give preference and priority to public bodies and cooperatives." (Actually, preference to publicly-owned distribution systems goes back to a reclamation act of 1906 and the Water Power Act of 1920.) Granting government bodies time to acquire capital and to organize so they could enter the power business and directing the administrator to build any transmission facilities needed to supply customers with power, the act aimed to increase use of electricity and lower rates.[116]

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[115] Maass, Muddy Waters, 198-99.

By the Reclamation Project Act of 1939, these policies adopted in 1937 for distribution of power at Bonneville Dam were applied generally to Bureau of Reclamation projects (although many of them had been followed on Reclamation projects for a number of years). In 1944, through the efforts of the President, his Executive Office and the Department of the Interior, they were made to apply generally to projects constructed by the Corps of Engineers under Section 5 of the Flood Control Act passed in that year. The Corps did not support Roosevelt in this move nor in his decision to designate the Department of the Interior as the marketing agency for power; it even made recommendations to Congress that were at variance with the President's wishes.[117]

Thus, although some success was achieved in the late thirties and early forties in the development of a power distribution policy, the problem of formulating a broad national power policy remained. Inactive again for more than two years, the National Power Policy Committee was reconstituted in October 1939 when Roosevelt transferred to it the work of the National Defense Power Committee, which had been established at the outbreak of war in Europe. Chaired by the Secretary of the Interior, the committee was directed to "devote itself to the development of a national power policy in the interest of national defense as well as peace time needs." But since the emphasis now was on producing electricity for a defense program, the problem of enunciating a broad power policy was again evaded.[118]

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[116] Vennard, Government in the Power Business, 115-16; McCraw, TVA and the Power Fight, 157; Schlesinger, The Politics of Upheaval, 378-79.

[117] Maass, Muddy Waters, 199-201.

Progressives, and then liberals who took up their cause in the thirties, achieved a certain amount of success in their programs for electric power from the time that it first became a concern of the Federal government in the late nineteenth century until 1945 when Harry S. Truman became President. By 1912 conservationists' aims to save and use the natural resources of the country in the interests of the people were well accepted; by 1913 progressives had managed to stop the giving away of potential water power sites in perpetuity to private interests and in 1920 a fairly effective water-power regulation bill was enacted. Largely through the efforts of the progressive Senator, George Norris, Muscle Shoals was saved from private power interests in the twenties. This, in turn, made possible Government development of the site in the thirties when the Roosevelt Administration established the successful Tennessee Valley Authority--the first significant victory for the concept of multi-purpose resource development and unified river development. Additional multi-purpose dams were built during the New Deal; the Rural Electrification Administration was established, which further reduced the control of private industry over the basic needs of the people and brought electricity to millions of farms for the first time and legislation was passed which, at least to some extent, lessened the power of holding companies over the sale and distribution of electric power.

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[118] McCraw, TVA and the Power Fight, 147; Edward Eyre Hunt, ed., The Power Industry and the Public Interest: A Summary of the Results of a Survey of the Relations between the Government and the Electric Power Industry (New York, 1944), 195.

All three approaches to the public versus private power problem that had been advocated by various progressive individuals and groups as a means of attaining their common goal of improving the general welfare of the populace had been tried over the years. The method of tightening government regulation over private utilities had gained some ground with the 1920 act and the holding company legislation of 1935. The concept of Government ownership and control of electric power was strengthened by the success of the Tennessee Valley Authority and by the endorsement of additional valley authorities by President Roosevelt and other prominent liberals. The possibility of using cooperation between Government and private utilities as a means of advancing liberal power policies, however, diminished when it was discarded in the Tennessee Valley Authority and Rural Electrification Administration experiences.

Thus, the methods of public power liberalism were still being worked out at mid-century. They, like methods of liberalism generally, had changed and would continue to change with the time and circumstances. At the moment, two important immediate aims of those who espoused a progressive power program remained on the agenda--the establishment of further valley authorities and the enunciation by the Federal government of an effective, broad electric power policy.

CHAPTER III

WATER RESOURCE ORGANIZATION

When Harry S. Truman succeeded to the Presidency in April 1945, the public versus private power fight was about to resume with renewed vigor. A few months later, World War II ended, allowing the nation to turn its attention to domestic problems, including public power. During the years of conflict, private power, which had been called upon to supply most of the nation's defense needs, had improved its position, while Federal involvement in the electric power field had slackened considerably. At this point, private power controlled about 80 per cent of the nation's generating capacity and the Federal government about 10 per cent with the remaining 10 per cent in the hands of state and local public bodies.[1] Presumably, each of the two sides now would try to protect and extend its own position.

Public power liberals wanted to safeguard and extend the gains made under the New Deal. Aiming to preserve what they termed economic democracy, they sought to protect the natural resources of the country against monopolization by special interests for private gain and instead to insure that these resources were developed for the greatest good of the greatest number. Because they believed that the amount of electric power available was directly related to the support of a larger population with a high standard living, liberals wanted to make low-cost, Federal power available to the many. The fulfillment of these aims, according to liberals, would require direct Government involvement in the generation and sale of electrical energy for two major reasons. In many cases programs of tremendous size and scope involving the multiple-purpose development of entire river systems would make it necessary. Secondly, public power proponents foresaw a shortage of electric power as time-saving electrical devices became more economical to use and as availability of electric energy caused expansion of industry. In order to meet this threat, additional Government involvement would be required.

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[1] Waltrip, "Public Power During the Truman Administration," 26; Annual Report of the Federal Power Commission, 1946 (Washington, D.C., 1947), 71; "Summary of Federal Power Development from the Fiscal Years 1932, 1946, and 1951," Records Concerning Electric Power and Submerged Lands, 1946-1952, Oscar L. Chapman Papers, Truman Library. Hereafter, the Truman Library is cited as T.L.

A number of statements for achieving many of these aims had already been set down in various acts of Congress, and, taken together, constituted a public power policy that liberals wished to maintain:

1. Federal dams shall, where feasible, include facilities for generating electrical energy.
2. Power disposal shall be such as to encourage widespread use and to prevent monopolization.

3. Power shall be sold at the lowest possible rates consistent with sound business principles.
4. Preference in power sales shall be given to public agencies and cooperatives.
5. Power disposal shall be for the particular benefit of domestic and rural consumers.[2]

However, for liberals, a good deal remained on the public power agenda. To many of them, the program for the Federal government included the following:

1. Creating effective organizational and administrative machinery for accomplishing comprehensive planning and development and use of all the resources of the major river basins. For many liberals this meant establishing valley authorities of the Tennessee Valley Authority-type, while some favored consolidating functions of various Federal agencies responsible for water resource activities.

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[2] These objectives of the various acts of Congress pertaining to power programs were summarized in a "Memorandum on Power Policy to All Staffs of the Department of the Interior" by Secretary Ickes on January 3, 1946. For a discussion of this memorandum as a background to efforts by the Truman Administration to work out a broad, national power policy, see Chapter VII. The Acts of Congress that contained these policies were the Reclamation Act of 1906; the Act of July 25, 1912; the "Raker Act" of 1913; the Federal Water Power Act of 1920; the Boulder Canyon Act of 1928; the Tennessee Valley Authority Act of 1933; the Rural Electrification Act of 1936; the Bonneville Act of 1937; the Fort Peck Act of 1938; the Flood Control Acts of 1938, 1944 and 1945; the Reclamation Project Act of 1939. See "The Power Policy Fight," undated, File 1-310, Administrative General, Power Development, General, Part 6, R.G. 48, N.A.; letters, C. Girard Davidson to Fischer Black, April 19, 1949 and May 10, 1949, *ibid*, Part 2; "Memorandum on Power Policy to All Staffs of the Department of the Interior," January 3, 1946, *ibid*., Part 5.

2. Maintaining and expanding present Federal power marketing policy through agencies like the Bonneville Power Administration.
3. Building steam generators where necessary and constructing transmission lines and interconnecting the great dams of the country in the interest of efficiency.
4. Planning and building additional Federal water development projects and extending Rural Electrification Administration cooperatives where necessary to attain the objectives listed above.
5. Not only preserving power policy as set down in the statutes but also working out and enunciating a broad, national power policy.

On the other hand, private power interests and sympathizers hoped to consolidate their gains made during the war and to prevent further government encroachment in the electric power field. Only a minority held out the hope of recouping their position prior to the New Deal when they had enjoyed great monopoly power and could exact high rates. Most private power proponents no longer argued that it was impossible to have flood control and hydro-electric power in the same project; they accepted the fact that the Tennessee Valley Authority and projects like Bonneville on the Columbia River and Fort Peck on the Missouri River were permanent parts of the American scene, and they resigned themselves to the fact that the

Federal government would be selling surplus power from such projects.

Adhering to the principle that government should not do what private industry could and maintaining that power plant and transmission capability could keep ahead of demand as it always had in the past, private power proponents argued first, that private industry should be allowed to develop individual water power sites when capital was available and the job not too large and, secondly, that government should not be involved in the business aspects of the electric power field. Regarding the latter, two points of view existed among private power advocates. One held that power should be sold at the dams as falling water, thus eliminating the Federal government from both generation and transmission of hydro-electric power. This plan, which would mean private industry would build the power plant, had largely failed by this time. Therefore, private power companies in a majority of cases were now trying to gain control of the power at the bus bar and thus remove the Federal government from the transmission business. In so doing they argued that while the production of power could be regarded as a by-product of such river development Government functions as flood control, irrigation, navigation or reclamation, the transmission of power definitely fell into the category of a business operation which private industry could very easily perform on its own.[3]

Private power adherents objected to and wanted to change the Federal government's policy of selling power at the bus bar to preferred customers on the grounds that it discriminated against private electric utilities. They disagreed with the Federal government's policy of building transmission lines as a justification for reaching these preferred customers and assuring low rates, arguing that these steps went beyond the intent of Congress. Furthermore, private power proponents maintained that government rates were unfair since public power was granted a hidden subsidy.[4] In addition, private power sympathizers opposed the establishment of further valley authorities on the grounds that they represented super-government and socialistic trends.

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[3] "167 Electric Companies Announce Stand in Federal River Projects," Edison Electric Institute Bulletin, XIII (August 1945), 236; Waltrip, "Public Power During the Truman Administration," 28; "Chronological Highlights of Southwestern Power Administration's Development," undated, and Harold L. Ickes, "Memorandum on Power Policy," January 3, 1946, File 1-310, Administrative General, Power Development General, R.G. 48, N.A.; Congressional Quarterly Almanac, IV (1948), 281; Vennard, Government in the Power Business, 144-86; New York Times, July 16, 1949, 18.

[4] According to law, rates of power from multi-purpose developments had to be high enough to cover (1) construction costs of the power project over a reasonable period, plus 3 per cent interest; (2) operation and maintenance costs of power and (3) where irrigation was involved, part of its cost. The Bureau of Reclamation adopted the practice of applying the interest collected from its power building to amortization of the irrigation subsidy which nullified its effect on power rates. Private utilities objected that power produced by the Bureau of Reclamation projects was thus given unfair advantage. New York Times, January 30, 1949, IV, 10.

Senator James E. Murray's introduction in August 1944 of a bill to create a Missouri Valley Authority and President Roosevelt's messages to Congress of September and November 1944 recommending such an authority had prompted the private utility representatives to open their campaign against the extension of public power with a program of lobbying and propaganda. Gone was the old National Electric Light Association whose reputation had been tarnished in the early thirties,[5] but the industry now had four organizations to help in this task. Created in 1945, and soon to become one of the most effective of the lobbies, was the National Association of Electrical Companies, headed by Purcell L. Smith, formerly president of the Middle West Corporation, which was the successor to Insull's Middle West Utilities. The other groups were the Edison Electric Institute, the national trade association of the electric power industry, which had been organized on the same day in 1933 that the National Electric Light Association died; the Council of Electric Operating Companies, which sponsored Nelson Eddy and the Electric Hour on radio and conducted a large advertising campaign in newspapers and magazines, and, lastly, the Public Information Program, whose task it was to enhance the industry's image.[6]

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[5] See Chapter II, above.

[6] Lee Metcalf and Vic Reinemer, Overcharge (New York, 1967), 94-95; Waltrip, "Public Power During the Truman Administration," 27-28; Merrill J. Collett, "Utility Lobbies at Work," a digest of four articles from the

Also effective in this lobbying and propaganda effort were such organizations as the National Resources Department of the Chamber of Commerce of the United States, the Mississippi Valley Association and the National Reclamation Association. The last group, which operated mainly in the Northwestern states, vigorously opposed valley authorities in the Missouri and Columbia basins.[7]

With this campaign, private power interests hoped to influence the public at large and, either through it or directly, those units of the Federal government that were involved in making power policy.

In the recent past Congress had not given the industry a great deal to worry about. Both the Seventy-Ninth and the Eightieth Congresses had been generally unenthusiastic about the expansion of Federal power. Although they did make large appropriations (the Eightieth even larger ones than its predecessor) for building dams and hydro-electric facilities, they, for the most part, refused requests for money for Government-built transmission lines and standby steam plants. For example, legislators refused funds for transmission lines to the Southwestern Power Administration, threw out the item in the proposed Tennessee

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Chicago Sun, March 31, April 1, 2 and 3, 1946. Speech and Article File, Julius A. Krug Papers, Library of Congress. Hereafter, the Library of Congress is cited as L.C.

[7] Merrill L. Collett, "Utility Lobbies at Work," Speech and Article File, Krug Papers, L.C.

Valley Authority bill for a steam plant and rejected proposals for comprehensive development of river valley resources. Furthermore, the Senate did not act on the St. Lawrence Seaway and Power Project bill (Senate Joint Resolution 111).[8]

However, the 1948 election results gave private power adherents some cause for concern. Truman's campaigning on the "do-nothing" record of the Eightieth Congress helped send more progressives to Congress. Furthermore, by equating the Eightieth Congress with Republicanism, the President contributed to changing the majority in Congress from Republican to Democratic.[9] This appeared promising to public power liberalism since Democrats had a better record on that issue both in platform and in performance than the Republicans. While the Republican platform nowhere mentioned increasing Federal involvement in the power field, the Democratic one specifically called for Federal "development of hydroelectric power and its widespread distribution over publicly owned transmission lines . . . with preference to public agencies and REA cooperatives" and "continued expansion of the Rural

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[8] Congressional Quarterly, II (1946), 742-43.

[9] When sworn in, the Eighty-First Congress had the largest majority since 1941 to 1943; Democrats had a twelve seat majority in the Senate and 263 to 171 margin in the House; see ibid., V (1949), 20; Hamby, "Harry S. Truman and American Liberalism," 271; Goldman, Rendezvous with Destiny, 85.

Electrification Program."[10] House Republicans in 1947 had voted 9-186 against a motion to increase funds for reclamation, power and fishery in the Interior Bill, while Democrats voted 130-11 for it. The Senate, with a smaller Republican majority (51 to 45) in the Eightieth Congress had befriended public power as it had for several years. In 1947, without record vote, it had restored most of the House cuts and in 1948 largely removed restrictions placed on the large Interior appropriation bill by the House.[11]

Committees of Congress concerned with public power were the House and Senate Committees on Public Works and the House and Senate Committees on Interior and Insular Affairs, for authorization of projects, and the Appropriations Committees of both Houses, together with their Interior and Civil Functions Subcommittees, for the granting of monies. The chairmanship and majority control of these committees now passed into the hands of the Democrats with the opening of the Eighty-First Congress. A number of these Democrats were long-time supporters of public power; for example, Senator Dennis Chavez (New Mexico), Chairman of the Senate Public Works Committee; Senator Carl Hayden (Arizona), Chairman of the Interior Subcommittee of the Senate Appropriations Committee; Senator Joseph O'Mahoney

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[10] Kirk H. Porter and Donald Bruce Johnson, comps., National Party Platforms, 1840-1956 (Urbana, Ill., 1956), 434-52.

[11] Congressional Quarterly, IV (1948), 30, 34; Waltrip, "Public Power During the Truman Administration," 41-42.

(Wyoming), Chairman of the Interior and Insular Affairs Committee and Representative Michael J. Kirwan (Ohio), Chairman of the Interior Subcommittee of the House Appropriations Committee.

However, the picture was not entirely bright for public power with regard to these committees. A number of the members were anti-public power men, including Senators Elmer Thomas (Democrat, Oklahoma) and Guy Cordon (Republican, Oregon) on the Interior Subcommittee of the Committee on Appropriations; Representatives Ben F. Jensen (Republican, Iowa) and W. L. Norrell (Democrat, Arkansas) on the corresponding House Subcommittee and Representative George A. Dondero (Republican, Michigan) on the House Public Works Committee. Furthermore, a good many Congressmen, including some serving on these key committees, were supporters of the Corps of Engineers. Because this agency's single-purpose, pork-barrel projects were good vote getters, these men often opposed such liberal proposals as taking from the Army its civil functions for consolidation purposes, and they usually sided with the Corps of Engineers in its competition with the Bureau of Reclamation.[12]

That the Corps and its aims were held in high regard by influential members of committees was demonstrated by the relationship of both Congressmen and the Corps of Engineers to the effective interest group, the National Rivers and Harbors Congress. This organization passed a resolution in 1947 which stated, "we believe that only through the plans developed by the Corps of Engineers can we obtain a consistent and coordinated improvement of our water resources." Furthermore, one of its official publications stated that it was generally its policy "to follow the recommendations of the United States Army Engineers . . . in advocating projects."[13] The National Rivers and Harbors Congress opposed most of the liberal public power program--valley authorities, executive reorganization that would remove civil functions from the Army and all Federal steam plants.

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[12] Waltrip, "Public Power During the Truman Administration," 42-43; Congressional Quarterly, V (1949), 26-34, 90-91, 94-95; letter, George A. Dondero to Herb M. Moffen, December 6, 1951, File 310, Administrative General, Power Development General, Part 3, R.G. 48, N.A.; Maass, Muddy Waters, 46.

Membership in this pressure group included both Senators and Representatives as honorary members and members of the Corps of Engineers (officers of the Corps working in rivers and harbors programs were ex officio members). Arthur Maass, a political scientist who has made a study of the Corps, points out that those being lobbied took an active part in the lobbying organization:

> In 1949 . . . the President was Senator John McClellan of Arkansas, a member of the Public Works Committee, of the subcommittee of the Committee on Appropriations . . . , and chairman of the Committee on Expenditures in the Executive Departments--to which the Hoover Commission recommendations proposing reorganization of the USED had been referred. . . . The national vice-presidents . . . were Senator Wherry of Nebraska,

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[13] Quoted in Maass, *Muddy Waters*, 46-48.

> Republican floor leader and a member of the Appropriations subcommittee on Engineer Corps funds; Representative Whittington of Mississippi, . . . chairman of the . . . Committee on Public Works; and Representative Case of South Dakota, a member of the House subcommittee which considers appropriations for the Corps.[14]

Another unit of the Federal government that had considerable authority in the public power field by 1945 was the Federal Power Commission. Since 1930 composed of five full-time members, the Commission had been established by Congress in 1920 to carry out its constitutional function of regulating interstate and foreign commerce, which, for practical reasons, Congress could not do itself. Although the Commission was established as an independent body, the Congress wanted it to be its effective instrument and free only of executive control. To accomplish the latter, Congress provided that no more than three commissioners be of the same political party and set the terms of the members at five years with expiration to occur in successive years so that the Commission would have a degree of permanence.[15]

By 1945 the Federal Power Commission's powers included the right to issue licenses for the development and operation of hydro-electric power projects affecting interstate or foreign commerce and to regulate interstate, wholesale rates of such power. The Commission was also empowered to provide expertise to cities, state commissioners and members of Congress, confer with governmental regulatory bodies and state commissioners regarding such things as rates and cost accounts and hold hearings on such matters. It published statistics on every privately-owned electric utility in the nation, which in many cases led to rate adjustments. Furthermore, under the Flood Control Act of 1938, the Corps of Engineers had to obtain the Commission's recommendation before installing penstocks for power development at Army dams; and under the Water Power Act of 1920, the Federal Power Act of 1935 and the Flood Control Act of 1944, the Commission had the authority and responsibility to make investigations and studies of comprehensive river basin development and to make recommendations to other Federal agencies regarding installation of power facilities. In furtherance of this duty, the body was, at least in theory, interested in optimum development of power resources in comprehensive river basin work.[16]

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[14] *Ibid.*, 46.

[15] Burton K. Wheeler, "The Federal Power Commission as an Agency of Congress," *The George Washington Law Review*, XIV (December 1945), 1-4.

In the executive branch of the Federal government, various agencies were concerned with electric power in 1945. Those responsible for the planning and building of power plants were the Tennessee Valley Authority, the Bureau of Reclamation in the Department of Interior and the Army Corps of Engineers. Those charged with marketing power were the Tennessee Valley Authority and three Department of Interior units--the Bureau of Reclamation, the Bonneville Power Administration and the Southwestern Power Administration. The agency responsible for financing and providing services to bring electricity to farm areas was the Rural Electrification Administration. Also involved to a limited extent was the Bureau of the Budget, a Presidential agency charged with the task of studying and revising all executive branch appropriation requests before the President sent his budget to Congress.

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[16] Twentieth Century Fund, Electric Power and Government Policy, 68-76; Charles S. Rhyne, "Municipal Interest in the Work of the Federal Power Commission," The George Washington Law Review, XIV (December 1945), 247-53; Annual Report of the Federal Power Commission, 1946, 26, 32-33, 37; Maass, Muddy Waters, 189-90.

Through power granted to it by Congress to produce and sell electric power incidentally to its other responsibilities in river basin development, building dams and marketing power had become the Tennessee Valley Authority's largest commercial and revenue producing activity. All of its facilities operated as a single, integrated power system interconnected with other systems, with its transmission lines and substations located in the six states of Tennessee, Alabama, Kentucky, North Carolina, Georgia and Mississippi. According to law, the Authority followed the general policy of selling power at wholesale to municipalities and cooperatives in the area it served. It also sold power to a few large, industrial users and neighboring utility systems. The Authority obtained funds not only from Congressional appropriations but also from the sale of bonds, its own operations and properties transferred from other Government agencies. As a Federal agency itself, it was subject to neither state nor Federal regulatory commissions.[17]

The Army Corps of Engineers, in its civil functions (which were entirely separate from its military functions), was an agency primarily responsible for the design, building and operation of flood control and navigation improvement projects on rivers and other waterways. The Corps built Wilson Dam at Muscle Shoals, but the dam became the property of the Tennessee Valley Authority in 1933. In 1936 it was first given authority (by the Flood Control Act passed in that year) to build multi-purpose projects of which electrical power was a by-product, and in 1938 an act specifically provided for the Corps' building of power facilities upon the recommendation of the Army Chief of Engineers, with the approval of both the Secretary of War, to whom the Chief was directly responsible, and the Federal Power Commission. However, specific legislation was required to actually authorize a Federal agency to generate power.[18]

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[17] Waltrip, "Public Power During the Truman Administration," 31; see also Glaeser, Public Utilities in American Capitalism, 538-54; letter, Krug to Senator Henry C. Frogen, April 12, 1948, File 8-1, Reclamation Bureau Organization and Methods, General, R.G. 48, N.A.; The Twentieth Century Fund, Electric Power and Government Policy, 576-616.

[18] Maass, Muddy Waters, 20-21, 189; The Twentieth Century Fund, Electric Power and Government Policy, 486-87;

Despite the fact that the Corps of Engineers as a unit of the Army was a part of the executive branch of government, it was in fact hardly responsible to the President at all. Rather, because it conceived of its role as an executor of policy formulated by the legislative branch, the Corps in effect was responsible to Congress and particularly to certain of its committees and individual members. From 1934 on the President, his Executive Office, the Bureau of the Budget and the Bureau of Reclamation had tried unsuccessfully to cut this line of responsibility.[19]

This failure was due partly to the Corps' special relationship with members of Congress, as outlined above, and also to the manner in which its projects were approved. Engineers' projects usually grew out of pressure from local interest groups who went to their Congressman, who, in turn, went to the Public Works Committees of the House and Senate and to Congress to get a survey for the project authorized. If the Chief of Engineers agreed to a favorable preliminary examination, which had been submitted to the Board of Engineers for Rivers and Harbors, a more detailed survey took place. The Chief of Engineers would then transmit his

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address, H. F. McPhail, "The Development of Power by the Federal Government," Office File of C. Girard Davidson, R.G. 48, N.A.; The Hoover Commission Report on Organization of the Executive Branch of the Government (Westport, Conn., 1970 [1949]), 282-83.

[19] Maass, Muddy Waters, 62-102, 215; Waltrip, "Public Power During the Truman Administration," 20-21.

report on the plan to Congress, after having submitted it to interested states and Federal agencies and having cleared it with the Executive Office of the President. The report was usually referred to the House Subcommittee on Public Works. Since, as a general rule, this committee would not consider for authorization any project that had not received a favorable report from the Corps of Engineers, it is obvious how interlocking was the relationship between it and the Corps. If, after hearings, the subcommittee agreed that the project should be carried out, it would draw up a provision for it as part of an omnibus rivers and harbors authorization bill.[20]

The philosophy of the Corps of Engineers was usually at variance with that of liberals regarding river valley development and public power policy in general and marketing policy in particular. The Corps was rarely concerned with multiple-resource development and optimum power development for two reasons. First, it was interested mainly in navigation and flood control. This in itself conflicts with the concept of building dams for the primary purpose of generating electricity since flood control requires empty storage space prior to high-water season, storage during flood season and release of water during dry spells, while power generation needs as even a flow of water as possible. Secondly, the Corps tended to view each project almost entirely from the point of view of the benefits that would accrue to a certain local area represented by a Congressman who was pushing the development.[21]

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[20] Maass, Muddy Waters, 21-30; Alfred R. Golzé, Reclamation in the United States (Caldwell, Idaho, 1961), 135-40.

Neither did the Corps support President Roosevelt's effort to develop a national power marketing policy in the late thirties. Instead, it usually aligned itself with private utilities. For example, it opposed low, uniform rates for the Pacific Northwest, the building of a superpower network of transmission lines and the spelling out in legislation of the general principles regarding marketing power and unified management that finally went into the Flood Control Act of 1944.[22]

The Bureau of Reclamation, in the Department of Interior, was the other agency of the Federal government concerned with the planning and building of multiple-purpose projects. Its primary concern lay in the area of irrigation since it was charged with the task of administering Federal Reclamation laws in the seventeen states west of the one-hundredth meridian. However, the Bureau program included not only single-purpose irrigation projects but also complete multiple-purpose projects, single-purpose power projects and also both power and irrigation projects that obtained their water supply from reservoirs built by the Corps of Engineers. This contrasted with the Engineers' projects, which were "usually confined to single structures such as dams, with possibly a related feature such as a power plant."[23]

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[21] Waltrip, "Public Power During the Truman Administration," 20-21; Maass, Muddy Waters, 199-201, 215; Hoover Commission Report, 280.

[22] Maass, Muddy Waters, 199-201.

One of the responsibilities of the Bureau of Reclamation was the marketing of power which it produced as a part of its multi-purpose projects. Except for the area in which the Bonneville Power Administration operated, the Bureau marketed its own power as well as surplus power from projects built by the Corps of Engineers.

The Bureau's philosophy of river basin development and public power coincided with that of liberals much more often than did that of the Corps of Engineers. Although the Bureau of Reclamation resembled the Corps in that it was jealous of its own powers and did not want effected any system of river basin organization that would do away with its functions and properties, it differed in several other ways. In contrast to the Corps, it was, for example, genuinely interested and involved in comprehensive river basin development. As an important part of such a program in the West, the Bureau planned, at the end of the war, to develop further sources of electric power and build transmission lines for bringing this power to market.[24]

The Bureau of Reclamation did not enjoy the close relationship with committees and members of Congress that the Engineers did. This was so partly because their procedures for authorization of projects differed. Unlike the Corps, the Bureau of Reclamation planned and initiated its own projects, going to the Secretary of Interior for approval. After the Secretary approved a project report and received the recommendations of the governors of the affected states and the Secretary of the Army, he transmitted the report to the President through the Bureau of the Budget. The Secretary of the Interior then sent the report, along with the Bureau of the Budget's recommendations to the House where it was sent to the Committee on Interior and Insular Affairs. Hearings were held, and from this point on, usual procedures of lawmaking ensued. Unlike those of the Corps of Engineers, Interior projects were usually authorized in separate bills passed by Congress.[25]

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[23] Golzé, Reclamation in the United States, 297.

[24] Annual Report of the Secretary of the Interior, 1946 (Washington, D.C., 1947), 77; Waltrip, "Public Power During the Truman Administration," 21-22.

The Department of the Interior, of which the Bureau of Reclamation was a part, constituted the major power marketing agency in the United States, other than the Tennessee Valley Authority. Its head, the Secretary of the Interior, had been authorized by the Flood Control Act of 1944 to transmit and dispose of power generated by dams built by the Corps of Engineers and by the Act of 1927 to market power from projects built by the Bureau of Reclamation. The other agencies in the Department of Interior responsible for marketing of power were the Bonneville Power Administration, which marketed power produced on Federal projects in the Pacific Northwest, and the Southwestern Power Administration, which would eventually market energy from the Arkansas-White-Red Rivers system in the Southwest. The administrators of these bodies were responsible to the Secretary of the Interior.[26]

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[25] Golzé, Reclamation in the United States, 139-40.

The Department of the Interior, under the stewardship of Secretary Julius A. Krug since March 1946, had built up a fairly good reputation among liberals by 1949. Prior to his confirmation, Krug told a Senate committee that he believed in public ownership of most electric utilities and in a speech in October 1946 endorsed the "idea, principles and objectives contained in" Mitchell's Columbia Valley Authority Bill.[27]

Regarding the possible conflict between the Federal government and private utility interests over power development, the Department went on record in 1947 as follows:

> The various acts of Congress lay upon it [the Department of Interior] an obligation to get low-cost energy to the whole region, with preferences to public bodies. It sees equality of access to this power, as represented

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[26] Vennard, Government in the Power Business, 121; Annual Report of the Secretary of the Interior, 1946, 16; "United States Department of the Interior Code of Federal Regulations," Organization and Methods, General, 1937-1953, R.G. 48, N.A.

[27] Speech, Krug, for Public Ownership League of the State of Washington, October 12, 1946, Speech and Article File, Krug Papers, L.C.; Waltrip, "Public Power During the Truman Administration," 27.

> by public high-tension lines as a necessary part of this obligation. The Department is interested in wholesale and very large individual industrial use, and not in general distribution.[28]

Well aware of the renewed propaganda campaign being waged by the private utilities following the war, the Department of the Interior in June 1946 circulated to all its employees a speech that had been made by Representative Charles R. Savage in the House of Representatives which described the history, objectives and methods of this effort, going back to the Insull Illinois campaign of 1915. Included was a covering statement that "the information which this speech contains . . . is essential to a clear understanding of the tremendous effort being made to influence public opinion and welfare."[29]

The Rural Electrification Administration, an agency in the Department of Agriculture, granted loans to farmers and rural residents, who were not receiving central station service, for the purpose of building and operating generating plants, transmission and distribution lines. Claude Wickard, who became administrator in 1945, was determined to finish the job of rural electrification which at that point was only about 50 per cent complete. Although he understood the difficulties that lay ahead,

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[28] Annual Report of the Secretary of the Interior, 1946, 20.

[29] Speech and Article File, Krug Papers, L.C.; Congressional Record, 79th Cong., 1st sess., 1946, XCII, 3474.

Wickard had asked Truman for the job after having served as Secretary of Agriculture under Roosevelt. On May 22, 1947, he wrote Congressman Whitten of Mississippi:

> It must be borne in mind that reaching the remaining 43 per cent (of the farms) is the hardest part of the job. By and large, the people still unserved are in the thinner, less densely settled areas. It will take more effort, more material, and more dollars per consumer to finish the job than have been required so far.[30]

The Bureau of the Budget, an agency in the Executive Office of the President, was also involved in public power activities of the Government since its duties included examining all executive department requests for appropriations before the President sent them to Congress and acting as a clearing house for all executive agency legislative proposals to determine whether they harmonized with the President's program. Furthermore, in 1943 the Bureau had been assigned, by executive order, certain public works coordination functions. The public works agencies were required to submit to it, along with their budget requests, future programs they envisioned and estimates of funds they would need for such planning.

In practice, however, none of these duties yielded very much authority over public power for the Budget Bureau. Reductions it made in executive agency requests could be appealed by the official involved before the Congressional appropriations committees. If the President forbade this approach or if the official thought it unwise to so testify, interest groups acting independently or at the request of the agency could help persuade Congress to restore the cuts. While it provided valuable information, the clearing function likewise produced little effect, particularly on an agency like the Corps of Engineers which often made favorable recommendations to Congress contrary to the President's program and Budget's position. Furthermore, the Budget Bureau never secured funds from Congress sufficient to allow it to carry out, except in a very limited way, its resources and public works coordination function.[31]

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[30] Department of Agriculture, Rural Lines, U.S.A., 35-36; Harry S. Truman, Memoirs, Vol. I: Year of Decisions (Garden City, New York, 1955), 326.

In the executive branch of government, it was the President who potentially could wield the most influence with regard to public power. He could set policy, exert his influence on Congress and the people to get legislation passed and veto acts of Congress. In April 1945 neither side of the public versus private power fight could be sure of the direction in which Harry S. Truman would move. Liberals noted that on at least two occasions before becoming President, Truman had given the impression that he opposed the extension of valley authorities. As an initiator of the Pick portion of the Pick-Sloan Plan in the Missouri Valley, a supporter of the scheme in its entirety and a friend of the Army Corps of Engineers, the new President could be regarded as an opponent of a Missouri Valley Authority since, if the Pick-Sloan Plan succeeded, the need for an authority would be lessened. Secondly, as Vice-President and President of the Senate, he had referred a bill for a Missouri Valley Authority to the Commerce Committee, which was known for its hostility to the Authority. Adding to the uncertainty about Truman's attitude was his reply to a question posed at a press conference shortly after he assumed office. Asked whether he was going to continue "the public power ambitions" of his predecessor, the President said, "Whenever it is possible and necessary, I am."[32]

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[31] David B. Truman, The Governmental Process: Political Interests and Public Opinion (New York, 1951), 428-31; Maass, Muddy Waters, 14-15, 109-10, 114.

On the other hand, public power liberals were somewhat encouraged during Truman's first months in office when the President retained a number of Roosevelt men who favored expanding the New Deal and reappointed David E. Lilienthal as Chairman of the Tennessee Valley Authority. Then came Truman's Special Message to Congress on September 6, 1946, which was so encouraging that it appeared to put the President at the head of the liberal movement.[33] Included was a call for regional development, and although he did not specifically urge valley authorities as a means of carrying out this work, Truman did praise the Tennessee Valley Authority as an inspiration-evoking example.[34] Then, as if to dispel any doubts that might have been raised by the speech, the President a month later told reporters that he was "not retreating at all" on his idea of large, Federal, regional power authorities.[35]

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[32] "The President's News Conference of April 17, 1945," Public Papers: Truman, 1945, 10.

[33] Jonathan Daniels, The Man of Independence (Philadelphia, 1950), 291-92, 296; Hinchey, "The Frustration of the New Deal Revival," 111, 145; Hamby, "Harry S. Truman and American Liberalism," 76.

Despite these hopeful signs, the President's follow-up was far from vigorous. Rather than energetically pushing for more valley authorities and basin approaches to river development, Truman merely made general statements supporting such plans as a Missouri Valley Authority and a Columbia Valley Authority in speeches to various groups, letters released to the press and messages to Congress and on several occasions reaffirmed his approval of the Tennessee Valley Authority.[36]

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[34] Public Papers: Truman, 1945, 300-02.

[35] "The President's News Conference at Tiptonville, Tennessee," October 8, 1945, ibid., 385.

[36] "Address and Remarks at the Dedication of the Kentucky Dam at Gilbertsville, Kentucky," October 10, 1945, ibid., 391-92; "Statement by the President Upon Appointing Gordon R. Clapp as Chairman, Tennessee Valley Authority," October 28, 1946, Public Papers: Truman, 1946, 473; "Letter to David Lilienthal on His Appointment as Chairman, Atomic Energy Commission," October 28, 1946, Public Papers: Truman, 1946, 472; "Statement by the President Upon Signing the Government Corporation Act," June 30, 1948, Public Papers: Truman, 1948, 388-89; clipping, St. Louis Post Dispatch, July 15, 1947, O.F. 201, Truman Papers, T.L. For Truman's failure to push the Missouri Valley Authority during this period, see Larry Allen Whiteside, "Harry S. Truman and James E. Murray: The Missouri Valley Authority Proposal," (unpublished M.A. thesis, Central Missouri State College, 1970).

During his first administration, Truman provided more encouragement to public power proponents in areas other than the establishment of river valley authorities. For example, he gave his backing to the plan for the building of the St. Lawrence Seaway under the 1941 agreement with Canada and authorization of the Federal government to construct power facilities to be given over later for operation to the State of New York. In 1945 he urged Congress to approve such a plan, and in early 1946 he asked the Under Secretary of State to try to get a favorable report from the Senate Foreign Relations Committee which held hearings on the project.[37] In 1948 the President asked for the project in his budget message, although he had not requested any money for it. He urged approval of the bill that finally got to the floor of the Senate and then stopped a half-measure plan that would have seen the State of New York develop power in the St. Lawrence.[38]

Truman's actions in the period 1945-48 regarding the construction of standby generating plants and transmission lines also showed signs of liberalism. On two occasions, the President urged Congress to appropriate funds for such facilities. In late 1947 he indicated to Secretary Krug that he did not wish to see any Federal power programs blocked because of private utility company transmission systems. On May 26, 1948 he urged the chairman of the Senate Appropriations Committee, Styles Bridges, to restore the House cut funds for a steam plant at New Johnsonville, Tennessee and in June he publicly deplored the fact that the Senate had failed to do so.[39] Furthermore, in a statement made with reference to his signing the Interior Department Appropriation Act for 1949, the President lashed out at Congress for making "a broad attack on the national public power policy" by failing to authorize money for building previously authorized transmission lines and power facilities at various Government built dams outside the Tennessee Valley Authority area.[40]

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[37] The Committee approved the bill, but it did not reach the floor of the Senate.

[38] "Special Message to Congress on the St. Lawrence Seaway," October 3, 1945, Public Papers: Truman, 1945, 359-62; "Telegram to the Governor of New York Concerning the St. Lawrence Seaway and Power Projects," September 27, 1945, Public Papers: Truman, 1945, 349-50; Waltrip, "Public Power during the Truman Administration," 46-47, 76, 78-79; Congressional Record, 80th Cong., 1st sess., 1947, XCIII, 9974, 9976, 9978.

But it was in his campaign for the Presidency in 1948 that Harry Truman went all-out in favor of the liberal power policies of his predecessor and the New Deal. Speaking in the West, for example, the President charged that the Republicans were trying to reverse the New Deal gains in reclamation and power and accused them of working in the interests of private power companies.[41]

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[39] "Message to the Congress on the State of the Union and on the Budget for 1947," January 21, 1946, Public Papers: Truman, 1946, 60-61; "Letter to the Chairman, Senate Appropriations Committee, Urging Restoration of Funds for a T.V.A. Steamplant at New Johnsonville, Tennessee," May 26, 1948, Public Papers: Truman, 1948, 278; memorandum, Krug to Vernon Northrop, December 20, 1947, Subject File, Krug Papers, L.C.; "Statement by the President Upon Signing the Government Corporation Act," June 30, 1948, Public Papers: Truman, 1948, 388.

[40] Public Papers: Truman, 1948, 390.

The future looked bright for public power liberalism after Truman was elected in November 1948. He had apparently won largely by excoriating the conservative Eightieth Congress. Furthermore, the President was determined to deliver on his campaign promises, since four days after his victory he told his cabinet that he expected the full cooperation of the executive departments in making these assurances a reality. In his 1949 State of the Union Message Truman promised a "fair deal from the Government" to each citizen and segment of society and included "resource development and public power" among a number of liberal goals.[42]

II

By the time Truman was inaugurated in January 1949, liberals agreed that river valleys should be developed in a comprehensive and integrated way for the achievement of maximum protection, preservation and use of all their resources and in such a way as to improve the social and economic life of the people living in the area. The manufacture and distribution of electric power, while just one of a number of functions and activities involved in such development, was among the most controversial. Most liberals concluded that an autonomous agency of the Tennessee Valley Authority-type could best attain such objectives in the other major river basins in the country.

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[41] Irwin Ross, The Loneliest Campaign: The Truman Victory of 1948 (New York, 1968), 263, 266; Hamby, "Harry S. Truman and American Liberalism," 251; Hartman, Truman and the 80th Congress, 188; Waltrip, "Public Power During the Truman Administration," 84-85.

[42] Public Papers: Truman, 1949, 1-7; memorandum, The Director of Programs and Finance to the Files, November 9, 1948, Administration and Planning Conferences and Visits, Records of the Bureau of Reclamation, R.G. 115, Washington National Records Center. Hereafter the Washington Records Center is cited as W.N.R.C.

However, other organizational arrangements were also considered. One of these alternatives--the interagency committee approach--had evolved as Federal agencies moved in to fill organizational vacuums. In 1939 President Roosevelt and the National Resources Planning Board had secured a tripartite agreement between the Department of the Interior, the Department of Agriculture and the Corps of Engineers to coordinate preparation of water resource reports on multiple resource projects. When the President in 1943 lost his fight with Congress to keep the Planning Board for postwar planning, coordination had ended; the Corps refused to continue the agreement and the Bureau of the Budget stepped in in an attempt to fill a coordinating role. Thereupon, in a move that Arthur Maass has described as a successful effort to thwart the Bureau of the Budget, the Corps of Engineers announced a new agreement. Its purposes were the same as those of the old agreement but the Federal Power Commission was added to the participating agencies. Out of this arrangement the Federal Inter-Agency

River Basin Committee was born. In 1946, the Department of Commerce was added to the membership. Representatives of these agencies and departments met monthly in Washington to discuss current studies and investigations with the purpose of exchanging information and coordinating their respective river basin planning activites and operations.[43]

The first regional subcommittee to be created by this Federal body was the Missouri Basin Inter-Agency Committee, which grew out of the adoption of the Pick-Sloan Plan for development of the Missouri Valley. In 1944 conflict had erupted between the Corps of Engineers and the Department of Interior over their respective plans for this river basin: the Bureau's "Sloan Plan" emphasized "upstream development with irrigation and hydroelectric power," while the Engineers' "Pick-Plan" stressed "downstream, mainstem works aimed at flood control and navigation."[44] This rivalry and lack of coordination lent support to liberals' cry for a Missouri Valley Authority, leading Roosevelt in September 1944, to ask Congress to create such an organization. Thereupon, the Bureau of Reclamation and the Army Engineers expediently buried the hatchet and combined their plans into one report. Congress rejected the President's request and authorized the Pick-

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[43] Maass, Muddy Waters, 101, 107-09; Annual Report of the Federal Power Commission, 1946, 111-12.

[44] John R. Ferrell, "Water in the Missouri Valley: The Inter-Agency River Committee Concept at Mid-Century," Journal of the West, VII (January 1968), 97.

Sloan Plan in the Flood Control Act of 1944.[45]

Only a schedule of planned works that depended upon separate Congressional appropriations, the Pick-Sloan Plan supplied no administrative machinery. In an effort to at least partially fill this vacuum, the Missouri Basin Inter-Agency Committee was formed, on March 29, 1945, in the same way and with the same purposes as its parent organization. Its original membership included representatives of the Corps of Engineers, Bureau of Reclamation, Department of Agriculture and the Federal Power Commission, along with four representatives of the ten basin states chosen by the governors of those states. When the Department of Commerce was included in 1947, another representative of the states was also added.[46]

In February 1946, the Federal Inter-Agency River Basin Committee created another subcommittee--the Columbia Basin Inter-Agency Committee--"for the purpose of effecting the coordination of planning, construction and administration for the multiple-purpose development program of the Columbia River basin and the coastal areas in Washington and Oregon which drain into the Pacific Ocean."[47] Membership included one representative from each of the

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[45] Ibid., 96-98; Golzé, Reclamation in the United States, 207-13.

[46] Ferrell, "Water in the Missouri Valley," 98; Annual Report of the Federal Power Commission, 1946, 109.

[47] Annual Report of the Federal Power Commision, 1946, 110.

Department of Interior, Corps of Engineers, Department of Commerce, Department of Agriculture, Federal Power Commission and Bonneville Power Administration. Governors of the seven states lying wholly or in part in the Columbia Basin, or their representatives, could attend and participate in the meetings of the committee. In 1948 the Pacific Southwest Federal Inter-Agency Technical Committee, composed of representatives of each of the agencies represented on the Federal Inter-Agency River Basin Committee, was created to coordinate the technical and field work and interchange data among the Federal agencies working in the Southwest.[48]

Liberals did not support these inter-agency committees as an answer to the river basin organization problem because of their obvious weaknesses. No important policy matters were or could be resolved by them. Not even those set up to coordinate work of Federal agencies already working in the area nor their parent committee could settle such basic matters as, for example, which agency (the Bureau of Reclamation or the Corps of Engineers) should plan and develop particular works in a river valley since they operated under the rule of unanimity and had no neutral leadership.

Even Commissioner Michael Straus of the Bureau of Reclamation, who had been an enthusiastic supporter of the inter-agency approach since its beginning, apparently doubted the effectiveness of the system since he not submit the Bureau's comprehensive plans for development of the Columbia River basin to the Columbia Basin Inter-Agency Committee until the report was nearly finished. As if to verify Straus's opinion, the Committee made no comments when the report was presented.[49] Furthermore, both Straus and the Corps of Engineers entered into their agreement on their respective plans, which each had prepared and submitted to Washington unilaterally, without reference to the Columbia Basin Inter-Agency Committee and merely informed it of what they were doing.[50]

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[48] Ibid.; Annual Report of the Federal Power Commission, 1949 (Washington, D.C., 1950), 150-51.

The Hoover Commission Task Force on Natural Resources in 1948 noted the failure of the inter-agency committee approach to provide coordination or machinery for carrying out comprehensive river valley planning:

> . . . no effective method has been found for reconciling conflicting opinions and programs. . . . The committees have failed to solve any important aspects of the problem . . . because the dominant members, the Corps and the Bureau, have been unwilling to permit inter-agency committees to settle their differences.[51]

Despite these apparent weaknesses of the inter-agency approach, many people continued to sing its praises. Federal agencies with vested interests, especially the

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[49] Maass, Muddy Waters, 119-20.

[50] Ibid., 119-21.

[51] Hoover Commission Report, 282-83.

Corps of Engineers and the Bureau of Reclamation who feared for their continued existence, state governors and business and other local groups used the inter-agency committee device as a weapon to block the establishment of valley authorities. The executive branch of the Government was well aware of this strategy. A paper prepared in the Office of the Bureau of the Budget when the Columbia Valley Administration bill lay before Congress stated:

> These committees and their 'six-year plans' or equivalent have been put forth as the answer to the demand for valley authorities. In the Missouri Valley the participating agencies were able to get the governors to support them and to use these officials and certain local organizations to block President Roosevelt's and Senator Murray's proposal for a valley authority.[52]

Governor Val Peterson of Nebraska and Governor George T. Mickelson of South Dakota continued to use this argument to keep a valley authority out of the Missouri basin. On many occasions they praised the inter-agency committee working in the Missouri Basin and claimed that a spirit of cooperation prevailed between the Corps of Engineers and the Bureau of Reclamation there. In 1949 Peterson agreed with Senator Chan Gurney (Republican, South Dakota), a member of the Civil Functions Subcommittee of the Committee on Appropriations, that the Missouri Basin Inter-Agency Committee had, in effect, become a part of the

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[52] Report, "Organizing for the Development of the Columbia Valley," undated, Natural Resources, Columbia Valley Administration folder, Stephen J. Spingarn Files, Truman Papers, T.L.

"governing body" of the Pick-Sloan plan and that all representatives on the committee had cooperated well.[53] In 1950, he still believed the inter-agency system to be adequate during the "present construction phase," but admitted that when that stage ended in the next few years, the voluntary organization might not be sufficient. Instead, he suggested a compact arrangement between the states, approved by Congress.[54] When Mickelson was asked at a Congressional hearing in 1949 if he felt that the inter-agency committee was functioning well, he replied, "I do, and I would make it even stronger." The people of his state and, so far as he knew, of the entire valley were "very well satisfied with the present set up."[55]

The inter-agency approach represented an attempt on the part of Federal agencies and state governors to find a more orderly approach to the task of organizing comprehensive development of river valleys either to avoid some other solution such as authorities like the one in the Tennessee Valley or simply to fill a vacuum in Federal river basin administration. However, because they had been set up on a voluntary basis without sanction of any Congressional act or executive order, these committees could provide very little unity in administration and planning.

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[53] U.S. Congress, Senate, Hearings before the Subcommittee of the Committee on Appropriations on H.R. 3734 (Civil Functions) for Fiscal 1950 (Washington, D.C., 1949), 751-52.

[54] U.S. Congress, Senate, Hearings before the Subcommittee of the Committee on Appropriations, Making Appropriations for Civil Functions Administered by the Department of the Army for the Fiscal Year 1951 (Washington, D.C., 1950), 501-02.

[55] Senate, Hearings on Appropriations for Civil Functions for Fiscal 1950, 774, 514-15; see also 770-76, 792.

III

The Hoover Commission on Organization of the Executive Branch of Government, which made its report in early 1949, and its Task Force on Natural Resources recommended a third alternative for solving the problem of river basin organization. First, a review and coordinating board for natural resources projects would be established in the Executive Office of the President with its members appointed by the President. Secondly, all water resource functions performed by the various agencies would be consolidated in a Water Development and Use Service. The Task Force and a minority of three Commission members wanted this service placed in a new Department of Natural Resources, which would combine functions of the Department of the Interior and the Forest Service, an agency in the Department of Agriculture. The Department of Interior would cease to exist. The majority of the Commission members, however, favored putting the Water Development Service in the Department of the Interior and leaving the Forest Service in the Department of Agriculture with some added current Interior land management functions. Both groups agreed that water activities should be taken away from the Army. Despite these differences as to implementation, both bodies advised that water and power functions be consolidated nationally. The Commission further recommended that administration be carried out on a decentralized basis by river basins. Both President Truman and Herbert Hoover, the chairman of the commission, asked Congress to pass a general reorganization bill to effect the body's recommendations on this and other executive branch reorganization matters.[56]

Secretary Krug informed the President that Interior favored the Task Force approach, with the Department of the Interior serving as the nucleus of the new Department of Natural Resources. He directed his bureaus and offices to disregard their "own jurisdictional predilections as the Department of the Interior" and to consider what "would best serve the public good."[57] Later, in 1952, when the executive branch was studying the report of the President's Water Resources Policy Commission, which had been established in January of that year, the Department again expressed its opinion that a reorganization plan as recommended by the Natural Resources Task Force of the Hoover Commission be implemented.[58]

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[56] Hoover Commission Report, 265, 271, 280-87; Maass, Muddy Waters, 113.

[57] Memorandum, the Secretary to Bureaus and Offices, June 14, 1949, Subject File, Krug Papers, L.C.

[58] Memorandum, F. J. Lawton to the President, May 21, 1952, President's Water Resources Policy Commission folder,

However, opposition to the plan in 1949 and 1950 was strong and effective. The same people who opposed additional valley authorities fought the reorganization proposal for the same reasons. Governor Mickelson of South Dakota told a Senate subcommittee:

> We have had fine cooperation from the Federal agencies and we do not want anything like that recommendation of that task-force committee or the Hoover Commission report to come in here and interfere with this program [the inter-agency approach in the Missouri Valley].[59]

The Army Engineers used their connections with legislators to block enactment of the plan. Defenders of the Engineers in Congress voted for a general reorganization bill that contained a proviso that any reorganization plans submitted by the President would not become law if voted down within sixty days by one House (the bills of 1939 and 1945 had required veto by both Houses). Thus, any plans submitted that would tamper with the civil functions of the Army held little chance of becoming law. House Majority Leader McCormack blamed the Army Engineers for the failure of Congress to enact a "clean bill" with no exemption:

> . . . the Army Engineers are the key. . . . Some of the friends of the Army Engineers are doing them irreparable harm because they are putting the Army Engineers in a position of being more powerful than

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Truman Papers, T.L.; letter, Oscar Chapman to Mrs. John Lee, President, League of Women Voters, February 15, 1952, Miscellaneous Records, Reading File, Chapman Papers, T.L.

[59] Senate, Hearings on Appropriations for Civil Functions for Fiscal 1951, 514-15.

> Congress, more powerful than the President, more powerful than everybody, more powerful than the Government itself.[60]

Shortly after the Hoover Commission reported, Truman urged that all of its recommendations be carried out, warning that other reorganization proposals had failed because of a piecemeal approach. However, he did not include the natural resources plan among his reorganization proposals to Congress under this law, probably because he knew it would be voted down by Corps of Engineers supporters. The influential Senators McClellan (Democrat, Arkansas) and Chavez (Democrat, New Mexico) and Representative Whittington (Democrat, Mississippi) had publicly vilified the plan, calling it an effort "to strip the efficient Corps of its civil functions."[61]

Not until 1952, after he had been defeated in his bid for a Columbia Valley Administration and after his Water Resources Policy Commission had come up with still another plan for water resources organization despite his instructions to avoid the subject, did Truman resurrect, and then only briefly, the Hoover Commission plan. In order to determine if there was any support for it at this time in Congress, Administration sources leaked a story to the press that the President was planning to submit a proposal to consolidate all water resource development activities in a new agency located in the Interior Department. It entailed abolishing the Reclamation Bureau and transferring its functions as well as the civil duties of the Army Corps of Engineers to the new agency. At a news conference on April 17, Truman said he had been considering such a plan ever since the Task Force had recommended it and added that when the measure to enact it was ready, it would be sent up to Congress.[62]

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[60] Quoted in Maass, Muddy Waters, 117; see also Electrical World, April 21, 1952, 113.

[61] New York Times, April 9, 1949, 28; see also May 27, 1949, 1.

Opponents of the plan now feared that it stood a chance of success. The _Electrical World_ commented that because it was an election year and because the Army Engineers had been under attack for their management of air bases abroad, trying to defeat the plan would "be uphill work."[63] However, one week later, Truman ordered his Budget Director to cease work on ~~the~~ plan. The immediate negative reaction to the proposal by the same group of southern Democrats who had been quick to condemn it in 1949 may have influenced the President to make this decision. A strong party man, Truman may have decided that he should not risk splitting the Democrats in an election year and that he had done all that was possible in the face of an unsympathetic Congress.[64] In any case, the President by April 1952 had completely cast aside this particular plan for consolidating and coordinating Governmental water resource activities.

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[62] _New York Times_, April 15, 1952, 7, April 24, 1952, 22; "The President's News Conference of April 17, 1952," _Public Papers: Truman, 1952-53_, 275-76.

[63] _New York Times_, April 21, 1952, 113.

IV

In 1949 the valley authority idea, liberals' first choice for river basin organization, was a live issue. In his 1948 campaign Truman had indicated that he would move in the direction of establishing further valley authorities--the dream of many liberals ever since Roosevelt had suggested his "seven sisters" plan in 1937.[65] Although he did not specifically advocate additional Tennessee Valley Authorities, the President did say in Seattle, "I have urged time and time again that the TVA experience shows the way in which we should move in other great river basins."[66] In his State of the Union Message on January 5, 1949, Truman reiterated this position: "We should apply the lessons of our Tennessee Valley experience to our other great river basins."[67]

At this point, Truman considered himself aligned with public power liberals on this issue. In a letter to the Governor of Texas he wrote:

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[64] New York Times, April 24, 1952, 22; Waltrip, "Public Power During the Truman Administration," 126. Margaret Truman has called her father's devotion to the Democratic Party and Missouri his "Cardinal virtue"; Margaret Truman, Harry S. Truman (New York, 1973), 121; see also Hinchey, "The Frustration of the New Deal Revival," 61.

[65] See Chapter II, above.

[66] Speech, Truman to the Washington State Press Club, June 10, 1948, Public Papers: Truman, 1948, 322.

[67] Public Papers: Truman, 1949, 5.

> I am committed politically and on the record to River Valley Authorities for the development of our great River Valleys.
>
> I am particularly interested in the development of the Columbia, the Central Valley of California, the Missouri Valley and the Red River Valley.[68]

It was to the Columbia Valley that Truman first turned his attention. In January 1949, he directed the Secretaries of Interior, Agriculture and Commerce, the Acting Director of the Bureau of the Budget and the Chairman of the Council of Economic Advisers to prepare a bill that would create an organization which he called a Columbia Valley Administration. Presidential administrative assistant Charles S. Murphy was named to coordinate the work, while the Secretary of the Interior was given the responsibility of presenting the legislative proposals to Congress.[69]

With the announcement of these activities, public and private power advocates squared off for battle. The private utility industry readied itself for what it termed an "imposition of an ideological threat unequaled since the creation of the Tennessee Valley Authority."[70]

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[68] Letter, Truman to Beauford H. Jester, February 26, 1949, O.F. 284, Truman Papers, T.L.

[69] New York Times, January 25, 1949, 1; Congressional Quarterly, V (1949), 763; letters, James E. Webb to Truman, December 30, 1948, and Truman to Krug, January 13, 1949, O.F. 360A, Truman Papers, T.L.

[70] New York Times, January 30, 1949, III, 1.

Purcell L. Smith, President of the National Association of Electrical Companies, attacked the plan as an effort to create a "superstate," a program that would cost taxpayers millions of dollars and one that the people of the Northwest did not want. Colonel H. S. Bennion, managing director, Edison Electric Institute, warned that a Columbia Valley Administration would jeopardize water rights that were vested in the people under state laws.[71]

In the Northwest, private utilities and other business spokesmen through Chambers of Commerce and the Pacific Northwest Development Association quickly made public their opposition to a Columbia Valley Authority. The general belief among these groups was that the inter-agency set-up was sufficient and that all that was required to carry out development of the valley was a long-range plan adopted by Congress with funds set aside for each phase of the plan to be completed on schedule. Their argument ran that the present system of Federal-state cooperation constituted a democratic method, while an authority represented a "corporate-state, centralized-control administration method."[72]

Considerable opposition to the plan came from other quarters in the Pacific Northwest, as well. The governors of Oregon, Idaho, Wyoming and Washington all sent messages to Truman expressing their disapproval of a Columbia Valley

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[71] Ibid., January 25, 1949, 3.

[72] Ibid., February 14, 1949, 35, see also February 17, 1949, 33, March 30, 1949, 6.

Authority on the grounds that the states did not want to give up their autonomy and their natural resources and urging retention of the present system. Republicans generally opposed an authority, as did the Farm Bureau Federation, a large portion of the press and reclamation groups in the area.[73]

Furthermore, reports from the area to the Executive Office of the President indicated that a good many people in the Northwest who favored some kind of coordinating agency did not want a Tennessee Valley Authority-type bill that would create for the Columbia Valley an autonomous agency with broad powers dealing with control, conservation and development of water resources and with responsibility only to the President and Congress. Partly because of the Army's recent comprehensive report and the feeling that it might be all that was needed, many Grange, public utility districts and private citizens feared loss of control to a Tennessee Valley Authority-type corporation. Even a majority of Federal officials in the field, although admitting they would have to follow the views of their departments, seemed to favor a compromise. They favored authoritative coordination of activities then being carried on by Federal agencies either through the Bonneville Power

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[73] One reclamation group that was very active in its opposition was the Washington State Reclamation Association to which private power companies in the area made heavy contributions. New York Times, January 25, 1949, 3, February 14, 1949, 35; report, "Who Finances C.V.A. Opposition?" undated, Office Files of C. Girard Davidson, R.G. 48, N.A.

Administration or the Executive Office of the President.[74]

On the other hand, there was also indication of considerable support for the plan in the area. Pacific Northwest labor organizations, the Farmers' Union Granges (except the Idaho Grange), the Washington State House of Representatives, fifteen Oregon state legislators and Congressman Hugh B. Mitchell of Washington all sent expressions of approval to the President in January and February 1949.[75]

Truman and his administrative aides were not at this point discouraged by the opposition that was shaping up in the Northwest. The President wrote to a friend:

> Naturally I would pay no attention to statements made by the Republican governors of Washington and Oregon. I think the people in those two states are entitled to the development of this great River Valley and I am going to try to get it done.[76]

Assistant Secretary of the Interior C. Girard Davidson, a staunch supporter of a Columbia Valley Authority, who was assigned by Secretary of the Interior Krug to work with Murphy, commented:

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[74] Teletype, J. W. Rupley to J. Otis Garber, February 14, 1949, C.V.A.: Legislative Drafts, Memoranda Re Columbia Valley Administration folder, Stephen J. Spingarn Files, T.L.

[75] _New York Times_, February 14, 1949, 35; memorandum, C. Girard Davidson to Charles S. Murphy, January 28, 1949, Charles S. Murphy Files, T. L.; letter, Hugh B. Mitchell to Truman, January 26, 1949 and telegram, Earl Cole, Secretary of State, Washington, to Truman, January 25, 1949, O.F. 360A, Truman Papers, T.L.; various letters and telegrams to the President from labor organizations, rural electric cooperatives, Farmers' Union, Granges and Democratic Party organizations in O.F. 360A, Truman Papers and Columbia Valley Administration folder, Chapman Papers, T.L.

[76] Letter, Truman to Lew Wallace, January 31, 1949, O.F. 360A, Truman Papers, T.L.

> The fight is shaping up in an excellent manner. So far the Republicans and private utilities are against it and the Democrats, labor and farmers are for it. What more could we ask?[77]

Nor did the opposition that became apparent in the committee which drafted the bill itself impede Truman in his determination to present a Tennessee Valley Authority or Mitchell-type bill to Congress.[78] In accordance with the President's instructions that Charles Murphy work in close cooperation with "other staff in the Executive Office and with the interested departments and agencies" in developing a legislative proposal, the drafting committee was expanded to include representatives from the Department of the Army and the Tennessee Valley Authority as well as liaison representatives from the Atomic Energy Commission, Federal Power Commission, National Security Resources Board, the Justice Department and the State Department. Disagreement among several of the agencies soon developed, mainly over "how the Columbia Valley Authority should be related to the 'functional' agencies of Government" and whether operational powers should be vested in the authority.[79]

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[77] Memorandum, Davidson to Murphy, January 28, 1949, Columbia Valley Authority folder, Charles S. Murphy Files, T.L.

[78] Senator Hugh B. Mitchell (Democrat, Washington) first introduced his Columbia Valley Authority bill in February 1945.

Both the Corps of Engineers and the Bureau of Reclamation opposed an authority like that in the Tennessee Valley because it would mean transferring their agencies' responsibilities for the building and operating of dams, irrigation works and power facilities to the new authority. The two agencies informed the President of their disapproval. The Army recommended that as an alternative the Columbia Basin Inter-Agency Committee be granted power "to formulate programs and submit recommendations to the President and to the Congress."[80] Smarting because it was not "asked to participate in the drafting," the Bureau of Reclamation objected that the bill seemed to require that the Bureau abdicate its "responsibility for the nation's water-resources conservation and use program in the West," a step that it certainly would not recommend, and suggested making the "Columbia Valley Administration an agency of the Department of the Interior under the general supervision of the Secretary of the Interior." Commissioner Straus also suggested that the bill require the Engineers to use the services of the Bureau in investigation, construction, operation and maintenance of projects.[81]

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[79] Letter, Truman to Krug, January 13, 1949, File 1-12, Administrative General, Instructions and Orders, R.G. 48, N.A.; memorandum, David E. Bell to Truman, March 28, 1949, C.V.A.: Legislative Drafts, Memoranda Re Columbia Valley Administration folder, Stephen J. Spingarn Files, T.L.

[80] Memorandum, Bell to Truman, March 28, 1949, C.V.A.: Legislative Drafts, Memoranda Re Columbia Valley Administration folder, Stephen J. Spingarn Files, T.L.

The Departments of Agriculture and Commerce were also unenthusiastic about an authority for the Columbia Valley. Since it was generally agreed, as the Department of Agriculture often insisted, that land resources must be an integral part of any comprehensive river valley planning (as had been shown in the weaknesses of the Pick-Sloan plan which included no thorough-going program for land-use and conservation), the Department of Agriculture and, to some extent, the Department of Commerce as well, feared that property and land functions of their agencies would be transferred to a Columbia Valley Authority.[82] The Agriculture Department registered its disapproval of granting operational authority to such a body and recommended that it be given only coordinating and supervisory responsibilities. Chiefly interested in the production of cheap and abundant power so that economic development of the Northwest could be enhanced, the Department of Commerce wanted a Columbia Valley Authority to have full powers to plan and construct dams, to control the flow of water through these dams after construction and to run a "vigorous power distribution program." But it feared giving the authority powers so broad in scope as "to invite operational frictions . . . and raise grave problems related to functional reorganization of the Federal government . . . and to maximize legislative opposition to the C.V.A. proposal itself."[83]

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[81] Memorandum, Michael Straus to Herbert J. Slaughter, February 28, 1949, Office Files of the Secretary of the Interior, Bureau of Reclamation, 1946-49, R.G. 48, N.A.

[82] Memoranda, Bell to Murphy, February 1, 1949 and February 15, 1949 and William R. Davlin to Bell, February 11, 1949, Columbia Valley Authority folder, Charles S. Murphy Files, T.L.; memorandum, Bell to Truman, March 28, 1949, C.V.A.: Legislative Drafts, Memoranda Re Columbia Valley Administration folder, Stephen J. Spingarn Files, T.L.

Despite this absence of unanimity among members of the drafting committee, the final proposal for presentation to Congress contained the main features of the Mitchell bill. The Columbia Valley Administration would be set up as a government corporation with a general manager, appointed by the directors and responsible for operations. Employees would have to be hired on a merit basis without regard to their political allegiance. The head office would be located in the region with two of the three directors required to be residents of that region. The powers of the Administration would include construction and operation of projects with the view toward improving navigation; preventing and controlling floods; producing, transmitting and selling electric power at wholesale; conserving and reclaiming lands, wildlife, fish and mineral resources and making payments instead of taxes to state and local governments.[84]

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[83] Memorandum, Davlin to Bell, February 11, 1947, Columbia Valley Authority folder, Charles S. Murphy Files, T.L.; see also memorandum, Bell to Truman, March 28, 1949, C.V.A.: Legislative Drafts, Memoranda Re Columbia Valley Administration folder, Stephen J. Spingarn Files, T.L.

On April 13, 1949, Truman made his long expected demand of Congress for a Columbia Valley Administration. Asking that legislation be passed that would enable the Federal Government to "play a more effective part in the development and conservation of the resources of the Pacific Northwest," the President noted that the coordination of activities of the Federal agencies that had long participated in the resource activities in this region presented "a difficult organizational problem." In asking Congress to be guided by two principal objectives in this regard, he enunciated stands long dear to public power liberals--there should be "unified treatment of the related resources within each natural area of the country" and there should be the "greatest decentralization of Federal powers and the greatest possible local participation in their exercise."[85]

Four identical Columbia Valley Administration bills were introduced into Congress: H.R. 4286 and H.R. 4287 in the House and S. 1631 and S. 1645 in the Senate. In introducing S. 1645 on April 19, Senator Warren G. Magnuson explained that the measure provided for an administration "somewhat similar to what has been set up for the development of the Tennessee Valley."[86] But, he noted, it differed from the Tennessee Valley Authority in two ways. First, a new agency with new powers would not be set up; rather, existing Federal powers would be reorganized to function more efficiently. Secondly, its functions were not to be as all-inclusive. Since it called for a reorganization of only some of the Federal establishments in the region, Magnuson explained, it was called an Administration, not an Authority. The Senator also told his colleagues that the Administration would take over all projects and properties of the Bonneville Power Administration, the Corps of Engineers and the Bureau of Reclamation in the Basin and would be responsible for preparing unified plans and programs, which it would then recommend to the President for his budget. These proposals would then go to Congress.[87] The four bills differed from the Administration's final draft in only one respect: while the Administration measure provided for Civil Service coverage, these bills exempted personnel from it but provided for similar protection.[88]

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[84] Congressional Quarterly, V (1949), 763; Congressional Record, 81st Cong., 1st sess., April 19, 1949, XCV, 4827.

[85] "Special Message to the Congress Recommending Establishment of a Columbia Valley Administration," April 13, 1949, Public Papers: Truman, 1949, 208-13; New York Times, April 14, 1949, 11; Lilienthal, TVA, Democracy on the March, xiv-xviii; letter, David Bell to John J. Doherty, March 18, 1950, Columbia Valley Administration folder, David E. Bell Files, T.L.

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[86] Congressional Record, 81st Cong., 1st sess., April 19, 1949, XCV, 4740.

[87] Ibid., 4742.

[88] Letter, Bell to Robert Greenleaf, April 27, 1949, Columbia Valley Administration folder, David E. Bell Files, T.L.

Among other measures introduced that pertained to a Columbia Valley Authority, one by Senator Harry P. Cain (Republican, Washington), a long-time foe of a Columbia Valley Authority, was regarded as a threat to the Administration's proposal. Cain's bill (S. 1595) would have effectuated the so-called Newell-Weaver scheme. This plan, which was an agreement between the Corps of Engineers and the Bureau of Reclamation on "Columbia River Basin Principles and Responsibilities for the Comprehensive Plan of Development," had been sent to the President on April 11, 1949--just two days before Truman transmitted his message to Congress recommending a Columbia Valley Administration.[89]

The two agencies had been working on their own reports for some time, and the Corps had twice refused to join forces with the Bureau of Reclamation on the matter. Although the President himself had directed them to review their plans after the 1948 floods and had later ordered the two agencies to correlate their studies after the Bureau submitted a plan for development to him unilaterally, he perceived that the timing of the presentation of the combined report was crucial. If Truman were to approve this plan now and Congress to put it into effect, one of the main arguments for a Columbia Valley Administration would be demolished--the ending of the conflict between the Corps of Engineers and the Bureau of Reclamation. Here, surely, was a "shot-gun marriage."[90]

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[89] Joint Press Release, Department of the Interior and Department of the Army, April 19, 1949, Press Releases, R.G. 48, N.A.

The President decided that he must delay presentation of the combined report to Congress until his Columbia Valley Administration proposal could be acted upon. On April 12 he wrote Secretary Krug:

> Since this matter involves a number of questions which are also involved in my proposal for establishing a Columbia Valley Administration, I think that nothing should be done with the Agreement for the time being until I have had an opportunity to give the matter further study.[91]

And on April 18 Truman wrote Secretary of the Army Kenneth C. Royall and Krug that he viewed their report as "merely an interim step in the preparation of reports" that were to be submitted to him later; hence, he said that he felt it unnecessary to approve the plan at that time.[92]

By July 1, five bills to put the Newell-Weaver plan into effect had been introduced in Congress, but neither of the two agreed upon reports had as yet been transmitted by the Executive Office to the Legislature. The reason

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[90] Letter, Robert P. Patterson, Secretary of War, to Krug, June 10, 1947, File 800.92, Columbia River, Oregon, Washington, Records of the Office of the Chief of Engineers, R.G. 77, W.N.R.C.; identical letters, Truman to Krug and Royall, June 1, 1948, Floods, Pacific Northwest folder, O.F. 83, Truman Papers, T.L.; Maass, Muddy Waters, 119-21; memorandum, Acting Commissioner of Reclamation to Krug, July 1, 1948, File 8-3, Bureau of Reclamation Projects, Columbia Basin, Administrative General, R.G. 48, N.A.

[91] Memorandum, Truman to Krug, April 12, 1949, Columbia Valley Authority folder, Charles Murphy Files, T.L.

[92] Letters, Truman to Royall, April 18, 1949 and Truman to Krug, April 18, 1949, Floods, Pacific Northwest folder, O.F. 83, Truman Papers, T.L.

Truman gave publicly for this delay was that they had not yet been fully studied. When the Senate Public Works Committee appeared likely to add a section that would authorize the plan to the Rivers and Harbors and Flood Control Bill, which had been passed by the House on August 22, the President had Assistant Secretary of the Interior William Warne tell the Committee chairman that such action should be postponed until the two reports could be reviewed in the normal way.[93]

Truman obviously was making a real and determined effort to establish a Columbia Valley Administration. He had set up a committee composed of heads of executive agencies to draft a bill; made sure the final draft contained the essential Mitchell bill features despite lack of unanimity among the framers and the oppostion that quickly became apparent from groups in the Pacific Northwest itself; assigned the Secretary of the Interior, a long-time advocate of valley authorities, the job of presenting the bill to Congress; made the request of Congress in a special message and when the Newell-Weaver plan threatened the success of his bill, tried to delay consideration of the reports by Congress.

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[93] Memorandum, Straus to Krug, July 1, 1949, File 8-3, Bureau of Reclamation Projects, Columbia Basin, Administrative General, Part 7, R.G. 48, N.A.; letter, Murphy to Dr. J. R. Binijon, September 14, 1949, O.F. 360, Truman Papers, T.L.; letters, Truman to Krug, August 30, 1949 and William E. Warne to Senator Dennis Chavez, August 31, 1949, O.F. 360, Truman Papers, T.L.

In addition to this active promotion of the plan by the Chief Executive, efforts on the part of people both inside and outside the Federal government made it seem likely that the proposal stood a chance of success. Probably the most important promoters of the Columbia Valley Administration within the executive branch were Secretary of the Interior Krug and his Assistant Secretary, C. Girard Davidson. Krug not only publicly endorsed the plan but also worked energetically to get Congressional approval for it. The Secretary told a press conference on March 2 that he was "very much in favor" of such a plan. On May 12, 1949 before the American Public Power Association, Krug called Truman's recommendation that Congress establish a Columbia Valley Administration "the most important public power move of the decade."[94]

Shortly after the Newell-Weaver plan reached the President, the Secretary withstood pressure for immediate release from Secretary of the Army Royall, Chief of the Army Engineers Lewis A. Pick and Bureau of Reclamation Commissioner Straus, all of whom opposed a Tennessee Valley kind of Authority for the Columbia Valley. Krug did this because he feared that if news of the agreement came out before the President took his request to Congress, it would be used as an argument to nullify Truman's proposal.[95]

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[94] Speech and Press Conference of March 2, 1949, Speech and Article File, Krug Papers, L.C.

[95] Telephone Call, Krug to Davidson, April 12, 1949, Conference File, ibid.

Like Truman, Krug appeared to be stalling. Straus complained that the Secretary had failed to indicate his clear approval to a supplemental report the Commissioner had submitted to a plan for the development of the Columbia River Basin. Furthermore, Krug did not approve the Army plan for transmittal to the President until June 16. On that date he wrote General Pick that while he endorsed the reports of the Army and the Bureau based on the agreement of April 11, he believed they did not present as effective a plan as the one calling for a Columbia Valley Administration.[96]

Not until July 20 did Krug transmit the Bureau of Reclamation report to the President with the recommendation that it and the related Corps of Engineers report be sent to Congress "at an early date." With this recommendation went the advice that Truman when transmitting the reports to Congress should point out that they did "not provide an effective substitute" for the Columbia Valley Administration proposal.[97] On the same day the Secretary wrote Commissioner Straus, "my approval of your report is not to be construed as implying that it is a satisfactory substitute for a Columbia Valley Administration."[98]

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[96] Memorandum, Straus to Krug, July 1, 1949, File 8-3, Bureau of Reclamation Projects, Columbia Basin, Administrative General, Part 7, R.G. 48, N.A.; letter, Krug to Lewis A. Pick, June 16, 1949, File 800.92, Columbia River, R.G. 77, W.N.R.C.

[97] Letter, Krug to Truman, July 20, 1949, File 8-3, Bureau of Reclamation Projects, Columbia Basin, Administrative General, Part 8, R.G. 48, N.A.

Krug, along with Davidson, his principal aide, acted energetically in their task of presenting the President's bill in a favorable light to the Congress. The Secretary enlisted other department or agency heads to testify for the proposal at hearings that opened on May 27 before the Senate Committee on Public Works and the House Committee on Public Works. In addition to the bills that contained the Administration's proposal for a Columbia Valley Administration, the Senate committee had before it two that had been introduced by Senator Cain. One (S. 1595) would have approved the Newell-Weaver Plan, and the other (S. 1632) called for a Columbia Interstate Commission, which was often considered a compromise plan. Witnesses whom Krug had obtained were Secretary of Agriculture Charles F. Brannan, Assistant Secretary of Commerce Thomas C. Blaisdell, Secretary of the Army Gordon Gray and Mr. Edward Falek of the National Security Resources Board.

Krug himself led off with an argument for the Administration proposal based on the need for integration of "planning, budgeting, and operation" of the many Federal agencies involved in the development of land and water resources in the Pacific Northwest, for a coordinated budget for these activities to be presented to Congress and for decentralization of authority in dealing with these programs.[99]

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[98] Memorandum, Krug to Strus, July 20, 1949, ibid.

Assistant Secretary Davidson testified for several days before both committees on behalf of the Administration proposal.[100] Davidson maintained that "reorganization of existing Federal resource functions in the Northwest" was "essential." While he agreed that the multi-purpose projects recommended by the combined reports of the Department of the Interior and the Corps of Engineers were necessary to the development of the River Valley, Davidson pointed out that they did not provide a "single unified comprehensive balanced development program for all of the resources of the region" nor a method for "relating the resources of all the agencies concerned." According to the Assistant Secretary, a Columbia Valley Administration would correct these deficiencies. The relationship between the Bureau-Engineers plan was the same, argued Davidson, as the report of the Engineers in 1932 that pointed up the need for a Tennessee Valley Authority and became the basis for its river-control program.[101]

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[99] U.S. Senate, Committee on Public Works, Hearings, Bills Dealing with the Development of the Water Resources of the Columbia River Basin and the Establishment of a Columbia Valley Administration, and for Other Purposes, 81st Cong., 1st sess., Part 1 (Washington, D.C., 1949), 271-75.

[100] New York Times, January 25, 1949, 1; memorandum, Krug to Heads of Bureaus and Offices, January 19, 1949, File 1-12, Administrative General, Instructions and Orders, Part 72, R.G. 48, N.A.; Congressional Quarterly, V (1949), 764.

[101] Senate, Committee on Public Works, Hearings, Bills Dealing with the . . . Establishment of a Columbia Valley Administration . . . , 81st Cong., 1st sess., Part 1, 339-44.

Testifying before the House Committee, Secretary of Agriculture Brannan remarked that a Columbia Valley Administration was "of vital importance" to the country's agriculture because it "should provide the leadership in planning and carrying out an integrated resources program in the region."[102]

Prefacing his remarks by stating that his department was mainly interested in economic development of the Columbia Valley, Assistant Secretary of Commerce Blaisdell argued that while progress had been made in the development of the resources in the Basin, a Columbia Valley Administration would constitute the best means of carrying out the continuation of a program for full development of these resources.[103]

Edward Falek spoke of the threatened power shortage in the Pacific Northwest and of the difficulties of "coordination and timing, in deciding upon a coherent long-term plan, and even in making adequate requests for funds to be appropriated by the Congress" under the present set-up. He further argued that the Columbia Valley Administration would provide the unification of activities needed for "speedy expansion of power-generating capacity as required for national security."[104]

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[102] U.S. House of Representatives, Committee on Public Works, Hearings, Bills to Reorganize and Consolidate Certain Federal Functions and thereby Secure more Effective Administration by Establishing a Columbia Valley Administration to Assist in the Achievement of Unified Water Control and Resource Conservation and Development of the Columbia River, Its Tributaries, and the Surrounding Lands, 81st Cong., 1st sess. (Washington, D.C., 1949), Part 1, 771, 776.

[103] Ibid., 655-63.

Gordon Gray, Secretary of the Army, offered his department's support of the bill before both communittees. He did this despite the fact that the Engineers had long opposed such legislation and had tried to use their comprehensive report and subsequent agreement with the Bureau of Reclamation to thwart such a move and despite the fact that under this proposal, the responsibilities, property and personnel of the Corps of Engineers in the Columbia Basin (with the exception of channel and harbor improvement work in tidal waters, tributary to the Pacific Ocean), along with that of the Bureau of Reclamation and the Bonneville Power Administration, would be transferred to the new organization.[105]

The members of the committees were well aware of the position of the Army Engineers; many of them were loyal supporters of the Corps and its point of view. Some, therefore, questioned Gray closely, apparently hoping to elicit anti-authority opinions from him. When asked why the joint reports could not do the job, Gray replied that they were only engineering proposals for resource development and did not constitute an administrative mechanism which the legislation would provide. Pressed by Chairman Whittington of the House Committee, Gray would only go so far as to say that he did not think a Columbia Valley Authority was the only way to accomplish engineering and construction work but that the Army supported such a plan because it believed it to be "a better way."[106]

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[104] Senate, Committee on Public Works, Hearings, Bills Dealing with the . . . Establishment of a Columbia Valley Administration . . . , 81st Cong., 1st sess., Part I, 1045-48.

[105] Ibid., 945.

Representative Homer Angell (Republican, Oregon) continued the barrage, trying to discover the Secretary's reasons for supporting the bill in light of the well-known Corps of Engineers' position. After a lively exchange concerning whether Gray believed as Secretary of the Army that it was good policy to take the Army Engineers out of civilian construction work, Angell asked him pointedly, "Why do you support the bill?" It was in the exchange that followed that Gray came closest to saying what supporters of the Corps hoped he would:

> Secretary Gray. Well, I support it for a good many reasons, and I might say one of those is because I think it is a good bill, I think it should be enacted. It is a bill which has been proposed by the President of the United States, and is supported by the executive departments of the United States.
>
> Mr. Angell. Is that the main reason why you are supporting it?
>
> Secretary Gray. Well, I am supporting it because I am in favor of the bill.
>
> Mr. Angell. But you say you supported it because . . .
>
> Secretary Gray. I said that was one reason.
>
> Mr. Angell (continuing). The President has recommended it.

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[106] House, Committee on Public Works, Hearings, Bills . . . [for] Establishing a Columbia Valley Administration . . . , 81st Cong., 1st sess., Part 1, 747.

> Secretary Gray. And I said because it is a good bill. First of all, because I think it is a good bill, and another reason, that the administration is . . .[107]

The President's proposal also received support from various people outside the Administration. Several state officials from Washington and Oregon testified or sent letters to the two Committees. Also included among those expressing approval of a Columbia Valley Administration either in person or by statements inserted in the record were Henry P. Carstensen, Master, Washington State Grange; Gus A. Peters, President, Southwest Washington Public Utility Commissioners Association; Frank A. Stewart, Managing Director, Washington Public Utility Commissioners Association, Seattle and Truman Styner for the Farmers' Union members in the Columbia River Basin area.[108]

Despite these rather promising beginnings, at the close of the first session of the Eighty-First Congress on January 2, 1950, the Columbia Valley Authority bills were still in committee and the comprehensive plan was still "being studied" at the White House. What were the factors that explain this failure by the Administration to achieve success?

One of the difficulties for the committees was the problem of discovering whether or not a majority of the people in the Northwest wanted a Columbia Valley Administration. Senator Cain advocated holding a referendum on the issue in the states involved, but his proposal was never seriously considered by Congress. Governor Arthur Langlie of Washington stated before the House Public Works Committee that he believed the people would overwhelmingly turn down such a proposal.[109] Adding weight to his contention was the testimony of governors of Idaho, Utah, Oregon and Nevada who opposed such an administration on the grounds that it would mean loss of local control and water rights, it would create a super government and it was unnecessary since the Corps of Engineers and Bureau of Reclamation were already doing a good job.[110]

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[107] *Ibid.*, 749-50.

[108] *Ibid.*, 257, 263, 376, 381, 422, 440; Senate, Committee on Public Works, *Hearings, Bills Dealing with the . . . Establishment of a Columbia Valley Administration . . .* , 81st Cong., 1st sess., Part 1, 426, 504, 579, 788.

Another factor that helped to defeat the President's plan was the lack of enthusiastic support, and, at times, almost open opposition on the part of members of Truman's own Administration. For example, representatives of Federal agencies on the Columbia Basin Inter-Agency Committee and its parent organization, the Federal Inter-Agency River Basin Committee, often worked at cross-purposes to the President's stated policy. In May 1949, while Congressional committees were studying the Administration bill, the office of Assistant Secretary Davidson asked the Federal Inter-Agency Committee to prepare a statement regarding its background and accomplishments to be used in connection with the hearings. However, when the committee submitted its statement to the Bureau of the Budget and to Charles F. Luce, consultant to the Office of the Secretary, for clearance before transmitting it to the Senate Public Works Committee on May 27, Secretary Davidson's office, on the recommendation of Luce, asked that the statement be withdrawn.[111] And so it was.

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[109] House, Committee on Public Works, Hearings, Bills . . . [for] Establishing a Columbia Valley Administration . . . , 81st Cong., 1st sess., Part 1, 305.

[110] Ibid., 717-24, 289-92, 324-38, 362-64; Senate, Committee on Public Works, Hearings, Bills Dealing with the . . . Establishment of a Columbia Valley Administration . . . , 81st Cong., 1st sess., Part 1, 622-43, 752, 943-44.

The Bonneville Power Administration and the Bureau of the Budget agreed with Davidson's office on withdrawal. The Bonneville Power Administration criticized the statement because it gave "the impression that both the Federal Committee and the Columbia Basin Committee are far more effective as coordinating agencies than has actually been the case." For example, the statement cited as credits, "resolutions of jurisdictional conflicts," but the Bonneville Power Administration noted that during the time that the Bureau and the Corps were preparing reports from 1946-1949, neither the Federal nor the Columbia inter-agency committee played an "effective part in resolving jurisdictional conflicts or in dealing with differences which developed in those separate reports."[112]

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[111] Memorandum, Elmer Staats to Murphy, December 8, 1949, Natural Resources folder, Correspondence and General File, Charles S. Murphy Files, T.L.; memorandum, W. G. Hoyt, Executive Officer, Water Resources Subcommittee, Department of the Interior, to Warne, June 30, 1949, File 1-318, Administrative General, River Valley Authorities, General, Part 4, R.G. 48, N.A.; memorandum, Luce to H. B. McCoy, June 1, 1949, File 1-318, Administrative General, River Valley Authorities General, Part 4, R.G. 48, N.A.

As one of his reasons for supporting withdrawal, the Director of the Bureau of the Budget stated that the report's failure to present the shortcomings of the committees would "prejudice the Administration case for the Columbia Valley Administration." Furthermore, he argued, "opponents of the C.V.A. already pointing to the Inter-Agency River Basin Committees as an answer to the problems of coordination, would most likely have seized on this document as ammunition for their case."[113] Thus the statement was withdrawn, and no unbiased description of the committees' failures as well as their successes from the committees themselves was made available to the members of Congress studying the advantages and disadvantages of the Columbia Valley Administration as compared with the inter-agency approach.

Some cabinet members also showed reluctance to support the President's plan. For example, the Secretaries of Commerce and Army showed restraint in endorsing the bill before the Congressional committees. When asked by the chairmen of the two committees to state their opinions in writing they were even less positive. To the Senate committee chairman, the Secretary of Commerce (now Charles Sawyer) wrote merely that he favored the bill. In his letter to the House committee chairman he stated some of the good points of the proposal but gave no definite recommendation. The Secretary of the Army made no positive recommendation that the legislation be passed.[115]

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[112] Memorandum, John D. Davis for Norman A. Stoll, Acting Administrator, to W. G. Hoyt, October 17, 1949, File 1-318, Administrative General, River Valley Authorities General, Part 4, R.G. 48, N.A.

[113] Memorandum, Elmer Staats to Murphy, December 8, 1949, Correspondence and General File, Natural Resources folder, Charles S. Murphy Files, Truman Papers, T.L.

It was the activities of employees of the Corps of Engineers and the Bureau of Reclamation more than those of any other department or agency of the executive branch that worked to mitigate efforts to establish not only a Columbia Valley Administration but valley authorities anywhere. These agencies had been quietly opposing such organizational machinery for nearly a decade. In 1941, after he had helped draft bills to authorize regional authorities in the Southwest and Columbia River Valley and had seen these measures die in committees, David Lilienthal wrote concerning the Columbia River proposal:

> It has been impossible to get a bill through Congress . . . because the Bureau of Reclamation and the Corps of Engineers have more political influence than the people themselves are able to express.[116]

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[115] Letters, Charles Sawyer to Dennis Chavez, May 27, 1949, and Sawyer to William M. Whittington, May 27, 1949, General Correspondence File, Records of the Department of Commerce, R.G. 40, N.A.; House, Committee on Public Works, *Hearings, Bills . . . [for] Establishing a Columbia Valley Administration . . .*, 81st Cong., 1st sess., Part 1, 31-35.

[116] *The Journals of David E. Lilienthal: I: The T.V.A. Years, 1939-45* (New York, 1964), 493-94.

In 1945, the liberal Nation charged that the two agencies had made a "clandestine alliance" to oppose the creation of river valley authorities. Referring to this statement, Bonneville Power Administrator Paul Raver complained the following year that although Bureau officials were careful not to make public statements that would contradict departmental policy, they never endorsed the idea of valley authorities either. In 1949 the Washington Daily News reported that these two agencies were "fighting a rear guard action" against a Columbia Valley Authority by quietly publicizing their counter proposal or comprehensive plan and by timing its release to nearly coincide with Truman's recommendations to Congress.[116]

Commissioner Straus had been working to forestall a Columbia Valley Authority for several years. An early supporter of inter-agency committees, he had asked permission to help establish the Columbia Basin Inter-Agency Committee and served on it as the Department of Interior representative.[117] In 1946 Straus praised the committee plan to state engineers in Jackson, Wyoming and warned that if it failed "whether we like it or not, there will be a rising demand for River Valley Authorities." If the inter-agency committee "breaks down," he added, "we will earn a punishment that fits our crime."[118]

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[116] Draft of letter, Paul Raver to Secretary Ickes, February 12, 1946, File 1-310, Administrative General, Power Development, Bonneville Project, General, Part 14, R.G. 48, N.A.; newspaper clipping, Washington Daily News, April 23, 1949, 2, Natural Resources, C.V.A., Stephen J. Spingarn Files, Truman Papers, T.L.; this article was routed to members of the White House Staff and the Bureau of the Budget.

[117] Letter, Straus to Acting Secretary Chapman, February 23, 1946, File 8-3, Columbia Basin, Administrative General, Part 3, R.G. 48, N.A.

In 1946 and 1947 the Commissioner carried out a comprehensive Columbia Basin study on behalf of the Department of the Interior. He made some attempts to gain the cooperation of the Corps of Engineers, but the two agencies could not agree on which one would build Hells Canyon Dam on the Snake River. Despite this and other disagreements, however, they decided to reconcile their differences in the face of a common enemy when plans for the President's proposal to Congress for a Columbia Valley Administration began to unfold. In December 1948, the Corps and the Bureau agreed to correlate their plans for development of the basin. Upon first hearing of this agreement through the newspapers, Assistant Secretary of the Interior Davidson reprimanded Straus for the leak to the press and for allowing the implication to be drawn that the Department of

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[118] This speech was mild compared with what the maverick Straus had at first planned to say. He changed his mind after having been cautioned by Assistant Secretary of the Interior Warner W. Gardner that while it was all right to say that valley authorities would be necessary if interagency cooperation failed, he should not "either attack the proponents of the valley authorities or indicate that this would be a disastrous result." See memorandum, Warner W. Gardner to Straus, August 27, 1946, File 8-1, Organization and Methods, General, Part 15, 1937-1953, R.G. 48, N.A.; report, "Bureau of Reclamation, Department of the Interior, No. 44," issued for administrative use only, September 13, 1946, File 8-1, Organization and Methods, General, Part 15, R.G. 48, N.A.

Interior had approved the plan, hence permitting another "shot-gun marriage" to occur. "The Pick-Sloan precedent," wrote Davidson, "would give ample justification for such an assumption." Warning the Commissioner to "give no more publicity to the so-called Newell-Weaver plan until the Department" could study it, he directed Straus to call to the attention of his employees "the departmental policy in support of a Columbia Valley Authority."[119]

Having been called on the carpet, Straus assured his superiors that the agreement concerned no operations or policy but only technical and minor differences. He answered Davidson's "reprimand and direction" by writing Secretary Krug that he had feared that one day he would be placed in just such a dilemma regarding support of a Columbia Valley Authority, but that the Secretary of the Interior had earlier reassured him by laying down "clear policy that . . . the Bureau of Reclamation . . . would not be expected either to oppose or support Authority legislation."[120]

The reply came from Davidson. Repeating his original instructions to the Commissioner, the Assistant Secretary added curtly that he knew "of no statement of the

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[119] Letter, Davidson to Straus, December 22, 1948, File 8-3, Projects, Columbia Basin, Administrative General, Part 6, R.G. 48, N.A.

[120] Memorandum, Straus to Krug, January 5, 1949, Office Files of the Secretary of the Interior, Oscar Chapman, 1933-53, Bureau of Reclamation, 1946-1949, R.G. 48, N.A.

Secretary's or anyone else" that exempted Straus from taking such orders.[121]

Later Straus tried to get an early approval of the Bureau of Reclamation report by the Secretary of the Interior so that it could be sent along to Congress with the Army's report, arguing that consideration of these reports by Congress would not harm the chances for passage of the Columbia Valley Administration legislation.[122]

The Corps of Engineers also had a long record of working to defeat an Authority in the Columbia Valley. In 1946 when the Corps was considering postponement of the target date of October 1948 for its Columbia "308" (comprehensive)[123] review, the Assistant Chief of Engineers cautioned the Division Engineer in the region, Colonel Theron D. Weaver, to take into consideration the "possibility that an Engineer Department report containing an up-to-date comprehensive plan" might be necessary "to keep the Department in a sound position with respect to proposals for a Columbia Valley Authority."[124] Weaver replied that this, plus the possibility that the Bureau of Reclamation might finish a comprehensive report in the next year or two, were "compelling reasons" for finishing the report on schedule.[125]

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[121] Letter, Davidson to Straus, January 14, 1949, ibid.

[122] Memorandum, Straus to Krug, July 1, 1949, File 8-3, Bureau of Reclamation, Projects, Columbia Basin, Administrative General, Part 7, R.G. 48, N.A.

[123] The term "308 reports" refers to House Document 308, 69th Congress, 1st session, which first authorized the Secretary of the Army, in 1925, to make estimates of costs of surveys of rivers in the United States with a view toward preparing plans for the most effective and efficient improvement of those waters for navigation, power, flood control and irrigation.

In December 1947, Weaver wrote the Chief of Engineers that "positive measures" must be taken to combat a Columbia Valley Authority and suggested as one means of doing so the strengthening of the Columbia Basin Inter-Agency Committee by making the governors full members.[126] While he agreed that action was needed to "forestall support for an 'Authority,'" and that one way to do it would be to strengthen the Columbia Basin Inter-Agency Committee, the Chief of Engineers could not approve Weaver's plan for fear the governors might "with their combined votes" take actions of which the Corps, other Federal agency representatives or Congress might not approve. But he did urge Weaver to do all he could to make the governors aware "of the 'Authority' threat" in order to give them incentive to support the Committee and attend its meetings.[127]

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[124] Letter, Brigadier General R. C. Crawford to Colonel Theron D. Weaver, August 1, 1946, File 800-92, Columbia River, Oregon, Washington, R.G. 77, W.N.R.C.

[125] Letter, Weaver to Crawford, August 16, 1946, ibid.

[126] Letter, Weaver to Brigadier General R. A. Wheeler, December 31, 1947, ibid.

[127] Letter, Wheeler to Weaver, January 28, 1948, ibid.

During 1949, when the Administration made its one big attempt for a valley authority, Congressman Hugh B. Mitchell of Washington complained to President Truman that the Corps of Engineers was "continuing its thinly-veiled attacks" on the Columbia Valley Authority. He reported that when the Corps held hearings on its "308" plan, it ruled pro-Columbia Valley Authority testimony inadmissible, giving opponents a chance to attack the Authority. Mitchell also reported that an Associated Press dispatch from Spokane had quoted Weaver as saying that the objectives of the "308" review could be accomplished without any "grandiose scheme of administration."[128]

Another factor which helped thwart the President's efforts to establish a Columbia Valley Administration was the joint plan agreed to by the Corps of Engineers and the Bureau of Reclamation. Proponents of Truman's plan saw this Newell-Weaver report as a real threat. The Congress for Industrial Organizations, for example, which was on record as favoring the Administration bill, expressed its fear in a letter to Truman in June that the comprehensive plan "imperiled" his proposal.[129]

The President, and members of his Administration who testified at the hearings in behalf of the bill, stated repeatedly that the Engineers-Reclamation report was not a substitute for an administrative mechanism. Not only Truman but also his staff members in the Executive Office were so afraid of what would happen if the report were submitted to Congress before passage of the Administration bill that they recommended delaying tactics. In late June, David Bell, an administrative assistant in the White House wrote to his superior, Special Counsel Charles S. Murphy, that the Budget Bureau, which was about to receive the reports, should be allowed to "go slowly and submit the reports next session" since "those in Congress who are unfriendly to the bill will try to force these reports out of the executive branch."[130] As discussed above, this procedure was followed.

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[128] Letter, Mitchell to Truman, March 28, 1949, O.F. 360A, Truman Papers, T.L.

[129] Article, Spokesman Review, June 12, 1949, inserted in Senate, Committee on Public Works, Hearings, Bills Dealing with the . . . Establishment of a Columbia Valley Administration . . . , 81st Cong., 1st sess., Part 1, 571.

Opponents of the Columbia Valley Administration bill suspected what was happening and tried to jar the report loose from the executive branch so it could be sent to the Hill where the Senate Committee on Public Works had already before it two bills that would authorize the comprehensive plan. Senator Cain asked the Secretary of the Army during Gray's testimony if he could tell the committee why the plan had not yet been reviewed by the President or formally submitted to Congress:

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[130] Memorandum, Bell to Murphy, June 29, 1949, David E. Bell Files, Truman Papers, T.L.

> . . . I just cannot become too enthusiastic about discussing an administrative agency which as of now would not have a program to administer. And I wonder to you . . . where is that report.[131]

The five governors who testified against the Administration proposal all used the comprehensive plan as an argument that development should be continued through existing agencies. Governor Charles Robins of Idaho, contended that while proponents of a Columbia Valley Authority claimed that it "could, and would, use the personnel and the plans of the Bureau of Reclamation and the Corps of Army Engineers," they do not mention that it would be optional, that the three-man board could decide not to.[132]

With the report bottled up and efforts to tack the joint plan on to the Omnibus Rivers, Harbors and Flood Control Bill unsuccessful, friends of the Corps of Engineers in Congress began trying to get authorization for only Corps-proposed projects in the Northwest. The Senate Public Works Committee added to the House approved $107,997,000 for Corps of Engineers river development projects another $142,003,000, and at the same time explained that it was still considering the Columbia Valley

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[131] Senate, Committee on Public Works, Hearings, Bills Dealing with the . . . Establishment of a Columbia Valley Administration . . . , 81st Cong., 1st sess., Part 1, 939.

[132] Ibid., 943-44, 629-30; House, Committee On Public Works, Hearings, Bills . . . [for] Establishing a Columbia Valley Administration . . . , 81st Cong., 1st sess., Part 1, 325.

Administration bill.[133] When the Senate approved the amendments recommended by the committee in October, the Interior Department and other Columbia Valley Administration sympathizers became fearful that, as a member of the Washington State Columbia Basin Commission put it, the Army Engineers were "so darned powerful they could shove her on through as is and leave the Interior's part of the plan stranded high and dry."[134] However, Senator Magnuson was able to get final action delayed. The session ended soon thereafter, and with it went any real chances for a Columbia Valley Administration.

After the second session of the Eighty-First Congress opened and President Truman again asked Congress for a Columbia Valley Administration in his State of the Union Message, the House Interior and Insular Affairs Committee began holding hearings on an amendment it wished to propose to the Omnibus Bill. Its purpose was to include authorization for Interior Reclamation projects in the measure. Meanwhile, the House Public Works Committee added more amendments authorizing even more Corps of Engineers projects.[135]

At this point, President Truman apparently began to feel that an act adopting the comprehensive plan would be better than legislation with no coordination of operations of the two agencies involved and with Interior Department projects either slighted or omitted altogether. He approved the joint report on February 2, 1950.[136] Sensing that the Columbia Valley Administration bill was doomed, public power liberals in the Senate began trying to salvage what they could from the Omnibus Rivers, Harbors and Flood Control Bill (H.R. 5472). Senator O'Mahoney offered an amendment that had been approved by the Senate Interior Committee on April 10, thereby igniting the fire all over again. The amendment would authorize $412,700,000 worth of reclamation and irrigation projects and establish a Columbia Basin Account to handle all revenues from power and other projects run by the Corps of Engineers and the Interior Department. All power and irrigation expenses would be paid from this account. Valley authority opponents Senators Cordon and Holland charged that the amendment was a first step toward a Columbia Valley Authority. It was tabled as were two other versions.[137]

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[133] Congressional Quarterly, VI (1950), 609.

[134] Letter, Kirby Billingsley to Cnapman, December 8, 1949, Office Files of Secretary of the Interior Oscar Chapman, 1933-53, Bureau of Reclamation, R.G. 48, N.A.

[135] January 4, 1950, Public Papers: Truman, 1950, 8; Congressional Quarterly, VI (1950), 609.

As it emerged from conference committee and passed the House and Senate May 3 and 4, 1950 respectively, H.R. 5472 represented a complete defeat for public power liberals. In a special message to Congress on May 22, President Truman vigorously criticized the piecemeal approach to river basin development represented in this bill, which he had signed into law five days earlier. Instead of authorizing the joint plan of the Departments of the Army and Interior, which recommended an "integrated schedule of projects" and a "basin account," said the President, the present act merely authorized "those projects which were included in the joint plan for construction by the Army Department." He added that although this plan constituted no substitute for a Columbia Valley Administration, "it would be clearly superior to the partial and inadequate authorizations contained in this act."[138]

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[136] Electrical World, February 13, 1950, 66; Interior Department Press Release, February 2, 1950, File 800.92, Columbia River, Part 5, R.G. 77, W.N.R.C.

[137] Congressional Quarterly, VI (1950), 609-11.

The Truman Administration continued to pay lip-service to the idea of a Columbia Valley Administration. On May 11, 1950, the President reaffirmed his approval of the plan and its position in his Fair Deal when dedicating Grand Coulee Dam. And Secretary of the Interior Oscar L. Chapman, who had succeeded Krug in December 1949, reassured Senator Glen Taylor of Idaho, who planned to run on his stand favoring a Columbia Valley Administration in the 1950 elections, that the "creation of a C.V.A. is part of the President's program and of the program of the

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[138] "Special Message to the Congress Following the Signing of the Rivers and Harbors Bill," May 22, 1950, Public Papers: Truman, 1950, 429-30.

Democratic Party."[139]

However, the plan was rapidly losing all chance of approval. In May the New York Times reported that agitation for the proposal had greatly diminished, that it was no longer the subject of lively discussion in the Northwest and that even Secretary Chapman had remarked that he thought it would be defeated if put to a vote of the people in the area. Glen Taylor's defeat in his race for the Democratic nomination for the United States Senate symbolized the failure of the one, big effort by Truman and his Administration to establish a valley authority.[140]

IV

No other serious attempt was made during the four years following Truman's election in 1948 to extend the Tennessee Valley Authority idea to other major river basins. Although bills were introduced into Congress to create valley authorities in the Merrimack, the Connecticut and Missouri river basins during this period, none got out of committee.[141]

The only other river basin besides the Columbia where serious efforts were made to establish a valley authority in the years immediately preceding and following World War II was the Missouri. Although he had on various occasions expressed an interest in creating one, Truman never actively pushed for a Missouri Valley Authority. Without the active interest of the President, little could be accomplished in Congress by its long-time supporter, Senator James E. Murray, Democrat, of Montana. Murray did introduce bills calling for a Missouri Valley Authority, as he had been doing nearly annually since 1944, in March 1949 and again in August 1951; however, both died in the Public Works Committee. Not even the disastrous floods that occurred in Kansas and Missouri in 1951 and 1952 persuaded the committee members or Congress generally that such a bill should be passed.

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[139] "Address at the Dedication of the Grand Coulee Dam," May 11, 1950, Public Papers: Truman, 1950, 313; letter, Chapman to Taylor, May 19, 1950, Reading File, 1950, Oscar L. Chapman Papers, T.L.

[140] New York Times, May 13, 1950, 4, August 11, 1950, 27.

[141] Congressional Quarterly, V (1949), 762-63, 786-89, 792, 794-96, 807, 819; Congressional Quarterly, VI (1951), 656-58, 660-63, 665-66, 675, 679, 682.

Truman's stand on a Missouri Valley Authority had always been and continued to be ambiguous. While he continued to indicate that he was interested in seeing additional valley authorities established, the President also often said that whereas the Columbia and the Tennessee Valleys were similar, the Missouri Valley was a special case that required special consideration. Truman spoke of the conflict of interests between downstream and upriver people, explaining that whereas Missouri was most concerned with flood control and navigation, areas on the upper reaches of the river were interested in reclamation, and parts of Montana, the Dakotas and Missouri were concerned with electric power. He was also aware of the fact that nearly all of the governors of the nine states involved, as well as many other people who resided in the area, were strongly opposed to a Missouri Valley Authority.[142] Furthermore, Truman was closely associated with the Pick-Sloan Plan. His friendship for its co-author, General Pick, was well known, and Truman considered himself "more responsible for the general Pick plan than anyone else except Pick himself."[143]

In 1949 the President did begin renewal of his contacts with Senator Murray and even allowed him to indicate Truman's support of his bill. However, when asked at a press conference in April about a Missouri Valley Authority, Truman said he had no plans for one at present, and he did nothing to help Murray's bill through Congress. In 1950 the President alluded to the development of the Missouri Valley in several speeches but never specified that he wanted an authority.[144]

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[142] Pencilled notation by Truman, Ickes to Truman, November 23, 1945, Columbia Valley Authority O.F. 360A, Truman Papers, T.L.; "The President's News Conference at Tiptonville, Tennessee," October 8, 1945, Public Papers: Truman, 1945, 386.

[143] Letter, Senator Harry S. Truman to G. L. DeLapp, March 6, 1944, Senatorial Files, Flood Control folder, Truman Papers, T.L.

[144] Whiteside, "Harry S. Truman and James E. Murray," 35-40; Congressional Record, 81st Cong., 1st sess., XCV, 1707; "The President's News Conference of April 14, 1949," Public Papers: Truman, 1949, 215; "Address in Casper, Wyoming," May 9, 1950, Public Papers: Truman, 1950, 323-34; "Speech at Pasco, Washington," May 10, 1950, ibid., 357; "Address at the Dedication of the Grand Coulee Dam," May 11, 1950, ibid., 372; "Speech at Fort Peck Dam, Montana," May 13, 1950, ibid., 392-93.

In the summer of 1951 Truman found himself in a position where he could no longer push aside the question of a Missouri Valley Authority. This situation resulted from the floods that were occurring in the Missouri Valley and the public pressure engendered by a letter sent him and made public by Philip Murray, President of the Congress of Industrial Organizations. Murray blamed the Pick-Sloan Plan for the immense damage done by the flooding of the Kansas and Missouri Rivers, pronounced the plan "discredited, wrong in purpose and wrong in method" and called upon the President to "throw the weight of the administration behind the establishment of a Missouri Valley Authority."[145]

The message put Truman on the spot; for, in effect, it asked him to stop talking and do something. The President replied in a letter released on August 6. Calm and friendly in tone, the missive stated that the Missouri basin needed not necessarily a replica of the Tennessee Valley Authority, but one agency, based in the area, with responsibility for devising a comprehensive plan and "for seeing that that plan is put into effect efficiently."[146]

Actually, Truman was angered and frustrated by the Murray letter; for, he believed, as he wrote in his reply, that his position on a Missouri Valley Authority had remained constant. The problem lay with conservative representatives of the people involved. In a notation he placed on a preliminary draft of his answer, the President revealed his true feelings by suggesting that if Murray really wanted a Missouri Valley Authority he should help get Democratic Congressmen and Senators elected. This initial draft continued,

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[145] Letter, Murray to Truman, July 23, 1951, O.F. 201, Truman Papers, T.L.

[146] "Letter to the President, C.I.O., on the Flood Control Problem in the Missouri River Basin," August 3, 1951, Public Papers: Truman, 1951, 444-46.

> When you talk of any plan--Pick-Sloan or any other--being to blame for the flood, I fear you've forgotten your history. Backward looking governors, State Legislatures and Congressmen caused the present state of affairs in the Missouri Valley.[147]

Among Murray's recommendations was a proposal that the President set up a commission on the Missouri Valley to devise a program for river development to submit to Congress on or before January 15, 1952. Acting on the suggestion, Senator Hennings of Missouri, on August 20, 1951, introduced a proposal to establish a Missouri Basin Commission by June 30, 1952. He then wrote Charles S. Murphy asking advice from him, the President or the cabinet on the plan.[148]

The White House was receptive to the idea. Here was an opportunity for the Administration to appear to be doing something about the Missouri Valley and at the same time avoid a defeat in Congress over the hopeless task of establishing an authority in the basin. The President's advisors recommended that the commission be established for the following reasons: (1) Strong sentiment "based largely on misleading propaganda" against a Missouri Valley Authority cancelled out any hopes for such an agency in the near future, (2) if the right appointments were made to the commission, even though it probably would not write as progressive a report as the President would like, it would hopefully at least point out that the "present administrative hodge-podge" was far from adequate and (3) politically, it would aid the Chief Executive to put the question of the Missouri Valley in the hands of a commision rather than campaigning on it as a central issue.[149]

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[147] Draft, letter, Truman to Murray, undated, O.F. 201, Truman Papers, T.L.

[148] Letter, Murray to Truman, July 23, 1951, O.F. 201, Truman Papers, T.L.; memorandum, Bell to Murphy, October 10, 1951, O.F. 201B, Truman Papers, T.L.

Truman signed an executive order on January 3, 1952, creating such a commission, composed of private citizens and members of Congress, to study land and water resources of the Missouri River Basin and make recommendations for their development, use and protection within one year.[150] With this step, the President effectively buried the Missouri Valley Authority idea. Furthermore, some disenchanted liberals saw his appointment of the long-time proponent of the Authority, Senator Murray, to the Commission as an act of appeasement.[151]

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[149] Memorandum, Bell to Murphy, October 10, 1951, O.F. 201B, Truman Papers, T.L.

[150] "Statement by the President Upon Signing Executive Order Establishing the Missouri Basin Survey Commission," January 3, 1952, Public Papers: Truman, 1952-53, 7-9; "Statement by the President Upon Appointing the Members of the Missouri Basin Survey Commission," February 9, 1952, ibid., 144; letter, H. M. Shooshan, Jr. to Richard Searles, January 8, 1952, Office File of Under Secretary Searles, R.G. 48, N.A.

After holding public hearings in all of the Basin states and receiving the testimony of 400 official and unofficial witnesses, the Commission reported in January 1953. It found, as had the Hoover Commission Task Force on Natural Resources and the President's Water Resources Policy Commission before it, that the Pick-Sloan Plan and the inter-agency committee approach were inadequate, but it did not recommend a Missouri Valley Authority.[152]

Thus, the establishment of further valley authorities--a main item on the public power liberals' agenda--never came to fruition during the Truman Administration. Although the President and some of his administrators, especially Department of Interior personnel, made a determined effort for a time in the case of the Columbia Valley, failure resulted from the absence of clear-cut support of the proposal in the Pacific Northwest itself; the active opposition from most of the governors in the area; the lack of enthusiasm among some Federal officials and actual opposition from others, particularly in the Corps of Engineers and the Bureau of Reclamation and, finally, the "shot-gun marriage" between the Engineers and Reclamation and the existence of the inter-agency system, both of which could be used as arguments to retain the status quo.

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[151] See Whiteside, "Harry S. Truman and James E. Murray," whose thesis is that Truman demonstrated his shrewdness as a politician in dealing with the question of a Missouri Valley Authority--he managed to get rid of the Missouri Valley Authority idea, keep Murray's friendship and still retain the Pick-Sloan Plan, which he had wanted to do all along.

[152] U.S. Missouri Basin Survey Commission, Missouri: Land and Water (Washington, D.C., 1953), 8-9, 229, 241-42, 250.

In other areas Truman only paid lip-service to the idea of valley authorities. It was obvious in the case of the Missouri Basin that local interests and their representatives in state and Federal government were unenthusiastic about and often vigorous in their opposition toward such a plan. There, where public power was already well underway, another "shot-gun wedding," the Pick-Sloan Plan, and the Missouri Basin Inter-Agency Committee had removed the urgency for an authority. By 1949 the idea was pretty well dead. Talk for a Missouri Valley Authority was resumed from time to time, particularly after the 1951 floods, but Truman's past connection with the Pick-Sloan Plan, his frustration over the lack of support among governors, state legislators and Congressmen in and from the Basin and the chance to avoid a controversial political issue by handing the matter over to a study committee helped the idea die a gradual death.

V

At the end of 1950 when prospects for solving the organizational problems involved in integrated comprehensive river valley development looked bleak, a fourth alternative emerged when the President's Water Resources

Policy Commission suggested a plan it called "river basin commissions." This body, which had been established in January to study the whole problem of major policy questions in administering Federal water resource programs,[153] presented the main portion (Volume I) of its report to the President on December 11, 1950.

Although the executive order which set up this Commission authorized it to consider only questions of policy, the study group did give its opinion on the matter of organization. It stated that the best way to accomplish its aim of handling comprehensive water resource development of a river basin through all stages would be through a single department like that recommended by the minority of the Hoover Commission and its Task Force on Natural Resources. The Water Resources Policy Commission then went on to say that if these changes were not effected, then, as an "absolute minimum," the present inter-agency committee approach could be satisfactory if certain changes were made: (1) Each river basin "commission," which would have Congressional approval and be set up on an inter-agency basis, should be "presided over by an independent chairman appointed by and responsible to the President"; (2) a Board of Review should be set up in the executive branch; (3) authorizations and appropriations by Congress for planning and development of river basins should be changed to "fit the new approach" and (4) the states should provide a procedure for cooperating with this organization.[154]

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[153] For a discussion of the genesis and work of this commission, see Chapter VII.

As an alternative to both plans, the Commission suggested setting up "regional or valley administrations to manage water and related land resources of the several basins in cooperation with State and local agencies." It did not say if this would be preferable to the second alternative.[155]

This report, however, did little to solve the question of river basin organizational machinery. No one, including Department of Interior personnel, was sure whether the river basin commissions were to be authority-type organizations, as anti-public power forces feared, or groups with coordinating and advisory functions only. Hearings were held before a subcommittee on Irrigation and Reclamation of the House Committee on Interior and Insular Affairs just to try to interpret the meaning of this and other aspects of the report. Regarding the commissions, the effort was of little avail. When asked by a committee member if the report contemplated an authority in each basin, Melvin Scheidt, an employee of the Bureau of the Budget, could only reply:

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[154] A Water Policy for the American People: The Report of the President's Water Resources Policy Commission, I (Washington, D.C., 1950), 49.

[155] Ibid.

> It is difficult to decide in reading this report the precise line of demarcation in the assignment of authority, but I don't think the report means that the river basin commissions would actually be assigned the operational function in the sense that it would be taken away from one of the agencies and given to the commissions as such.[156]

Along with Volumes II and III of the report, which were submitted in February 1951, went a fourth part--a draft of legislation that would put commission recommendations into law. Included was a provision that would establish fifteen river basin commissions to coordinate activities of Federal agencies in water and land resources work. These proposed basin commissions appeared to be an effort to compromise the argument of "regional authority _versus_ controlling Federal bureaus." They would not be authorities of the Tennessee Valley type, but top control boards would be placed over the existing Federal agencies which would carry on their old functions under a new direction. Six of the nine members of each commission would be appointees of Federal agencies, the seventh would be appointed by the President and the other two would be named by people in the area.[157] So controversial and so unsatisfactory to President Truman was this recommendation that he did not release this portion of the report. He had been so advised by the Department of Interior, which favored a Department of Natural Resources to consolidate natural resources functions, and the Bureau of the Budget, which commented that statutory river basin commissions "would be highly controversial" and probably could not "be favorably considered at this time."[158]

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[156] U.S. Congress, House of Representatives, _Hearings before the Subcommittee on Irrigation and Reclamation of the Committee on Interior and Insular Affairs on an Interpretation of the Recommendations of the President's Water Resources Policy Commission_, 82d Cong., 1st sess. (Washington, D.C., 1951), 65-66.

[157] _Public Utilities Fortnightly_, March 13, 1952, 373; _New York Times_, February 18, 1952, 37.

Truman's reasons for refusing to release the proposal are not entirely clear. The President wrote an old Kansas City friend that he was holding it back because it "was not a good one."[159] Morris L. Cooke, chairman of the commission, several times requested Truman to release the draft legislation, particularly since Cooke and the other commission members were becoming increasingly embarrassed by unsatisfactory answers being given by Executive Office personnel to the House Subcommittee studying the report.[160] Finally, Truman wrote the Chairman explaining his failure to act on the matter. The President's letter was dated August 1, 1951--nearly six months after the proposal was first submitted to the Oval Office. It read, in part:

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[158] Memorandum, Northrop to Warne, May 7, 1951, File 1-318, Administrative General, River Valley Authorities, General, R.G. 48, N.A.; letter, Chapman to Frederick J. Lawton, July 31, 1951, File 1-246, Administrative General, Administrative Committees, Water Resources, Part 8, R.G. 48, N.A.; memorandum, J. C. Bradley, Office of Administrative Assistant to the Secretary, to Joel D. Wolfsohn, Assistant to the Secretary, September 12, 1951, File 1-318, Administrative General, River Valley Authorities, Part 7, R.G. 48, N.A.; memorandum, Lawton to Truman, April 4, 1951, O.F. 2393A., Truman Papers, T.L.

[159] Letter, Truman to N. T. Veatch, July 26, 1951, O.F. 201, 1949-53 folder, Truman Papers, T.L.

[160] Letters, Cooke to Truman, August 1, 1951 and October 24, 1951, O.F. 2393A President's Water Resources Policy Commission folder, Truman Papers, T.L.

> . . . I feel that some of the organizational proposals . . . might stir up such controversy and feeling that it would prejudice the possibility of a fair hearing of the policy recommendations of the Commission.
>
> You are certainly right that we must somehow get all of the Federal agencies concerned working together more closely in our river basin development programs. With the Tennessee Valley Authority experience, we have ample evidence of the value of this kind of coordination and, as you know, I have favored for some time the establishment of similar types of programs in the Columbia and Missouri Valley. The recommendation contained in your report to establish river basin commissions deserves careful consideration but I hope that this can be done on the basis of the discussion of this in the Water Commission's report or on some other basis which will not present the difficulties which we are concerned about.

Truman then said that he would not object to the release of the draft if this organizational issue were omitted.[161] It thus appears that Truman, after his defeat on the valley authority approach in the Columbia Basin, had given up on efforts to establish any administrative structure for the comprehensive development of the remaining major river basins in the country. Having realized by 1951 how controversial the subject was, he seemed to no longer care to go out on a limb for even such a compromise plan as the river basin commissions.

Cooke wrote the President that because the Commission had disbanded, it would not be possible to release just part of the draft legislation, but because the Commission was anxious to cooperate with Truman, it was withdrawing its request for release.[162] However, the matter was not yet closed. With the publication a few days later of the correspondence between Philip Murray and the President relative to the establishment of a Missouri Valley Authority, Cooke suggested to Truman that he might want to change his mind regarding the release of the Commission's legislative proposal:

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[161] Letter, Truman to Cooke, August 1, 1951, ibid.

> Now that you have again expressed your views rather fully as to multiple purpose river basin development, perhaps the fact that you disagree with some features of our legislative recommendations may make it easier for you to release the document without endorsement of any kind or perhaps you would prefer that I give it out.[163]

The Director of the Bureau of the Budget, F. J. Lawton, now changed his mind with regard to Cooke's request. He wrote the President:

> As you know we have had some reservation as to this action because of the controversial nature of some of the organizational recommendations which are spelled out in the draft legislation but which are relatively harmless as presented in the general report. However, since the reaction which this draft legislation may receive is uncertain, I believe that we might reconsider our previous position. . . . I think it is important that we keep the support of the Commission for whatever legislative changes we may wish to present to Congress on this subject next year. The release of the report by the Commission itself, without any endorsement from you, could probably be made to better advantage now than to wait until Congress returns.[164]

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[162] Letter, Cooke to Truman, August 1, 1951, ibid.

[163] Letter, Cooke to Truman, August 13, 1951, ibid.

[164] Memorandum, Lawton to Truman, November 15, 1951, ibid.

Following Lawton's advice, Truman granted the Commission, through Cooke, permission to release the draft but to do so entirely on its own. At the same time, the President warned Cooke that the proposals that he would make to Congress would differ "in several significant ways" from those of the Commission.[165] On February 18, 1952, almost exactly one year after he first submitted it, Cooke released for publication his February 13, 1951 letter to the President and the draft of legislation that he had transmitted under its cover.[166]

Meanwhile, Truman had a special Inter-Agency Review Committee under the leadership of the Bureau of the Budget working on its own draft of legislation based on the recommendations of the President's Water Resources Policy Commission, which he hoped to transmit to Congress before his term of office expired.[167] The resultant proposal differed in several respects from the Commission document regarding organization of water and land resource activities. One difference was that the Inter-Agency Committee proposal did not call for a Board of Review in the

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[165] Letter, Truman to Cooke, November 19, 1951, ibid.

[166] Press Release, February 18, 1952, Commission Report and Recommendations, 1950-51, Final Report of Commission; Legislative Recommendations, President's Water Resources Policy Commission Records, T.L. Hereafter the President's Water Resources Policy Commission Records are cited as P.W.R.P.C. Records.

[167] Draft of letter, Lawton to Truman, August 8, 1952, O.F. 2393, Truman Papers, T.L.

Executive Office of the President; whereas, the Commission draft did. Another difference was a provision intended to increase participation of states and local groups in water resource work that was included in the Executive Office plan as a result of findings by the Bureau of the Budget when it solicited the views of inter-state, state and other non-Federal bodies. It had found that almost every organization and group had misinterpreted the Water Resources Policy Commission recommendation of river basin planning organization, believing that recommendation called for a "federal or federally-dominated river basin planning group with no State participation," which they opposed.[168]

Hoping to correct such possible misconception about its bill, the Budget Bureau's draft provided for river basin commissions but instead of stipulating two state representatives to serve on these bodies, it called for one representative from each state in the river basin. Realizing that the Corps of Engineers desired the status quo, that the Department of the Interior preferred the Task Force reorganization plan and that many public power liberals in Congress and outside the Government still hoped for more valley authorities, the Bureau hoped to satisfy enough other people and agencies to get favorable action on its plan. It hoped to win the support of not only states and local groups but also the Departments of Commerce and Agriculture and others who wanted to correct the main weaknesses of the inter-agency approach, which were lack of an independent chairman and of clear responsibility for coordinating water resources work on a regional basis.[169]

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[168] Memorandum, Melvin E. Scheidt to Staats, February 12, 1952, Unit 943, Review of the President's W.R.P.C. Report, General, 1952, Division of Fiscal Analysis, 1939-52, Records of the Bureau of the Budget, R.G. 51, N.A.

While this compromise plan for river basin organization legislation based on the President's Water Resources Policy Commission report was being developed by executive agencies, the Missouri Basin Survey Commission, which had been appointed by the President a few months previously, was working on a similar plan for organization in that particular river valley. In its official report, presented to President Truman just a few days before he left office (January 12, 1953), the majority of the Commission recommended the establishment of a Missouri Basin Commission, which it described as a "middle ground" between the two "extremes of thought with respect to basin organization" among the people in the basin. These opposite poles the report identified as being the authority plan which fixes "the principal responsibility in a Federal agency" and a state-Federal compact plan which fixes the main responsibility over Federal programs in a compact commission that would be negotiated between the basin states and the Federal Government and controlled by the states. The suggested basin commission would be a Federal body, composed of five members appointed by the President, that would "direct and supervise the Federal agencies" carrying out water resource functions in the Missouri Basin, thus providing unified direction while permitting local and state participation.[170]

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[169] Memorandum, Lawton to Truman, May 21, 1952, O.F. 2393, Truman Papers, T.L.

However, as the Truman Administration was nearing its end, states' rights and anti-valley authority sentiments appeared to prevail in the Columbia and Missouri Valleys as the states there moved toward the establishment of basin compacts, the antithesis of valley authorities.[171] Even Dr. Paul Raver, vigorous public power Administrator of the Bonneville Power Administration, shocked public power proponents with a proposal in December 1952 to remove the Federal government from the business of power sales and distribution in the Northwest. His plan involved giving over the functions of the Bonneville Power Administration to an interstate power commission which would be locally controlled.[172]

Despite all of the activity regarding it, Truman left office without having sent Congress his recommendations for solving the problem of how to achieve efficient organization of regional river basin planning and development. In a special message to Congress on the day before his successor was inaugurated, Truman outlined what he considered his accomplishments in the field of land and water resources. At the head of this list was a review of the special study commissions and committees he had appointed, among which were the President's Water Resources Policy Commission and the Missouri Basin Survey Commission. Regarding the former, Truman announced that he was officially transmitting its report to Congress and as to the latter, its findings and recommendations would be made available "within a few weeks." The outgoing President again praised Federal multi-purpose development, particularly the Tennessee Valley Authority, and comprehensive river basin development in general for the benefits they had provided the nation and its people. Reiterating the need for more efficient "regional river basin planning and management," Truman mentioned the recommendations of the President's Water Resources Policy Commission and the Hoover Commission, as well as the legislative proposals that the Bureau of the Budget was preparing for presentation to the new Administration. There he left the matter hanging.[173]

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[170] Missouri Basin Survey Commission, Missouri: Land and Water, 9, 11-12.

[171] New York Times, December 2, 1952, 32, December 31, 1952, 7.

[172] Newspaper clippings, Oregon Journal, December 23, 1952, Oregonian, December 28, 1952, Astorian Evening Budget, December 18, 1952, Seattle Times, December 21, 1952, all in File 1-310 Administrative General, Power Development, Pacific Northwest, Part 5, R.G. 48, N.A.; Electrical World, January 19, 1953, 5, December 29, 1952, 52.

However Truman may have viewed his accomplishments in the area of river basin organization, certainly public power liberals found little reason to praise him when they tallied up his record. Truman had failed in his one serious attempt at establishing a valley authority; he had made tentative moves toward centralizing water resource activities in the Interior Department but backed down in the face of strong opposition; he had appointed a committee to study water resources policy and found its compromise organization plan too controversial or too unsatisfactory; he had asked the Budget Bureau to formulate its own legislative proposals on the basis of the Commission's report, but though they attempted to answer the critics of centralization, he never submitted them to Congress; he had established a commission to study the problems of organization in the Missouri River Basin but had not transmitted its findings and recommendations to Congress.

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[173] "Special Message to the Congress on the Nation's Land and Water Resources," January 19, 1953, Public Papers: Truman, 1952-53, 1208-15.

The President's attitude toward the extension of valley authorities appeared to have gone full circle. Rather than the more positive attitude that he had expressed in 1949, Truman's final statements resembled his uncertain and ambiguous position of the 1945-48 period. On the day before he left the Presidency, Truman told Congress that a better means of organizing river development was needed, but he declined to say what kind, only that it "need not be the same for all regions."[174]

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[174] *Ibid.*, 1213.

CHAPTER IV

FEDERAL POWER MARKETING AGENCIES, STEAM PLANTS AND CENTRAL VALLEY TRANSMISSION LINES

Following the Truman Administration's failure to establish a Columbia Valley Authority, the Government, particularly the Department of Interior, shifted its attention from water resources organization to other means of accomplishing public power goals. One major concern was the marketing of Federally generated electric power. The successful Tennessee Valley Authority marketed its own power; the Department of Interior was responsible for virtually all of the rest. Most of Interior's marketing responsibilities were distributed among three agencies: the Bonneville Power Administration, which was well established in 1949; the Southwestern Power Administration, which was just getting started, and the Bureau of Reclamation. Furthermore, efforts were being made to establish a Southeastern Power Administration.

Many private power advocates saw these agencies as steps in an elaborate scheme by public power enthusiasts to win government control of private utilities and eventually of the national economy. The plan, they maintained, had its inception in the 1920's. Active in promoting it, according to this theory, was a former socialist, Carl D. Thompson, who had published a book, Public Ownership, in 1925. This book contained a map outlining a vast, public power network of municipally and Federally owned plants, along with future steam and hydro-electric plants that the Government could build.[1]

Other aspects of the movement to nationalize the utility industry, so the theory went, were organizations that conducted vigorous campaigns in the twenties on behalf of public ownership, such as the League for Industrial Democracy, in which Thompson and the Socialist leader Norman Thomas were both active, and the National Popular Government League, of which Judson King was Executive Director. Private power advocates saw a connection between this effort and the government power structure. Senator George Norris and other members of Congress were active in several of these organizations; Thompson had been appointed to a review board set up by Secretary of the Interior Ickes in 1935 to speed up Federal grants to municipalities so they could enter the power business, and in 1938 Thompson was employed by the Bonneville Power Administration.[2]

Private power sympathizers who subscribed to this view further pointed out that the Interior Department in its annual reports of 1946 and 1947 had presented a program which private power interpreted as an agenda for putting the whole Thompson program into effect. Interior projected a power program of increasing Federal hydro-electric capacity within twenty years to twice that which the entire nation had in 1936. To carry out such a program, steam plants would have to be built in order "to produce large quantities of firm power" in such areas as the Arkansas-White-Red Rivers systems, California and the Southeast where rivers were not "miracles" like the Columbia but rather were "flashy and irregular" and produced "little firm energy."[3] Also included in Interior's plan were the building of transmission lines by the marketing agencies and the inter-connecting of various Government hydro-electric plants and joining them to other utility systems.[4]

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[1] Carl D. Thompson, Public Ownership, (New York, 1925), 371; Vennard, Government in the Power Business, 37-38.

[2] Vennard, Government in the Power Business, 35-40.

Therefore, it seemed in 1949 and 1950 to those on the private power side of the controversy that this "master plan" would soon become a reality. Marketing administrations, warned the private power journal, Electrical World, were a serious danger:

> Though lacking the broader powers of T.V.A., these agencies are real political and economic forces of no mean proportions because they control all the federal power generated in these large areas. And it looks as if they can be set up wherever an army hydroelectric plant is erected.[5]

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[3] Annual Report of the Secretary of the Interior, 1946, 17-18.

[4] Ibid., 20.

[5] Electrical World, March 6, 1950, 20.

The entire Interior Department program, charged private power exponents in 1950, constituted an effort to socialize and eventually eliminate the private electric power industry. No significant change in the law would be necessary, they warned; socialization could be achieved merely by the

> . . . installation of a vast transmission network coupled with steam and hydro generating stations subsidized by the federal government. The takeover of local distribution systems would logically and inevitably be the next step.[6]

With this fear in mind, private power advocates reacted to moves by public power proponents during Truman's second administration by (1) fighting appropriations for Southwestern Power Administration's operation and maintenance while it was young, in the hopes of destroying it, and trying to prevent the establishment of new power marketing agencies; (2) opposing appropriations for Federal steam plants and transmission lines and the interconnecting of Federal plants; (3) attempting to stop the practices of loans made by the Rural Electrification Administration to federations of rural electric cooperatives for the purpose of building transmission lines and steam plants and the leasing of such facilities already in existence by the cooperatives and; (4) where Government dams were already generating electrical power, trying to buy this power at the bus bar and thus break down the Government's preference policy.

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[6] Ibid., January 16, 1950, 43; see also Electrical World, February 14, 1948, 69, November 20, 1948, 75; Vennard, Government in the Power Business, 139.

This aspect of the struggle between private power advocates and public power liberals occurred across the country and concerned the Tennessee Valley Authority, the Department of the Interior and the Rural Electrification Administration in the Department of Agriculture. Only some of the most significant controversies will be dealt with here.

II

The precedent for marketing administrations had been set by the Bonneville Act of 1937. This measure authorized the Corps of Engineers to build the Bonneville project on the Columbia River, and an amendment in 1940 empowered the Secretary of Interior to create the Bonneville Power Administration and appoint an administrator to dispose of power generated at the plant. The administrator was also directed to

> . . . provide, construct, operate, maintain and improve such electric transmission lines and substations and facilities he finds necessary, desirable or appropriate for transmitting the electricity available for sale to existing and potential markets.[7]

Also in 1940, the Administration was authorized to market power from the Bureau of Reclamation's Grand Coulee Dam, and an act of 1947 empowered it to market surplus electrical energy from all Corps of Engineers projects in the Pacific Northwest.[8]

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[7] Statutes at Large, L, Part 1 (1937), 732.

Private power proponents saw the Bonneville Power Administration as a menace because the section of the Bonneville Project Act requiring that a minimum of 50 per cent of power be reserved for preference customers (public bodies and cooperatives) up to January 1, 1942, had made it possible for a number of public utility districts to enter the power business in the Northwest. The first administrator, James D. Ross, encouraged this practice so energetically that private power proponents maintained that it was only through the "foresight, planning and tenacious spirit" of private utility companies in the area that they were able to remain in business at all.[9] When Ross died in 1939, Interior Secretary Ickes chose Dr. Paul W. Raver to replace him. A civil engineer and university professor, Raver would guide Bonneville during its formative years and remain at this post throughout the Truman period.[10]

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[8] Address, H. F. McPhail, "The Development of Power by the Federal Government," Office File of C. Girard Davidon, R.G. 48, N.A.; Vennard, Government in the Power Business, 225-26; Annual Report of the Secretary of the Interior, 1946, 41; Departmental Order No. 2136, November 1945, File 1-12, Administrative General, Instructions and Orders, Office of the Secretary, R.G. 48, N.A.

[9] Vennard, Government in the Power Business, 116; see also 226.

[10] Ickes, The Inside Struggle, 228; Ickes, The Lowering Clouds, 42, 53.

The establishment of the second marketing agency--the Southwestern Power Administration--grew out of the Grand River Dam project which the Federal Government took over from the state of Oklahoma in November 1941 in order to complete it and operate it for defense needs. Responsibility for the project was placed in the Public Works Administration, but in 1943 was transferred to the Department of Interior, which established the Southwestern Power Administration to carry out this function. The new power agency was also authorized to market power from the Corps of Engineers' hydro-electric plants at the Norfolk Dam on the White River in Arkansas and the Denison Dam project on the Red River located on the Texas-Oklahoma border.[11]

In a Departmental order of November 21, 1945, the Secretary of Interior set forth the market area that Southwestern would serve and outlined the authority and responsibilities of the administrator.[12] The area included all of the states of Arkansas and Louisiana and parts of Missouri, Kansas, Oklahoma and Texas. Designated as the marketing agent for the surplus electric energy from Federal projects in this region, the administrator was directed to encourage the widest use at the lowest rates possible consistent with sound business practices and to grant sales preference to public bodies and cooperatives. He was further authorized to exercise the powers granted to the Secretary of the Interior in the 1944 Flood Control Act. Included was the right to buy or build transmission lines and related facilities and to help government bodies and cooperatives build and maintain distribution systems. Furthermore, the Administrator was directed to protect the preference policy when making contracts with private companies engaged in selling electric energy to the general public.[13]

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[11] Report, "Chronological Highlights of Southwestern Power Administration's Development," undated, File 1-310, Administrative General, Power Development, Southwestern, Part 7, R.G. 48, N.A.; hereafter cited as "Chronological Highlights of S.W.P.A."; Annual Report of the Secretary of the Interior, 1947 (Washington, D.C.), 1948, 41.

[12] Department of the Interior Release, Order No. 2135, November 21, 1945, File 1-310, Administrative General, Power Development, Southwestern General, Part 2, R.G. 48, N.A.; the Denison and Norfolk projects were included in this order, while the Grand River Dam project was returned to an agency of the State of Oklahoma.

The man appointed as Administrator was Douglas Wright, an engineer then serving as Administrator of the Grand River Dam project in Oklahoma. He had worked for the Public Works Administration in the thirties and later for the State of Nebraska on its public power projects.

The third Interior Department agency that marketed Federal power in 1949 was the Bureau of Reclamation, which handled power from its own as well as from all Corps of

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[13] "Chronological Highlights of S.W.P.A," undated, File 1-310, Administrative General, Power Development, Southwestern, Part 7, R.G. 48, N.A.; Department Order No. 2135 and "Directions to the Administrator in Carrying out His Orders," November 21, 1945, File 1-12, Administrative General, Instructions and Orders, Interior, Part 61, R.G. 48, N.A.; Annual Report of the Secretary of the Interior, 1948 (Washington, D.C., 1949), 41.

Engineers projects west of the Mississippi River except those in the marketing areas of the Bonneville and Southwestern Power Administrations. The Bureau hoped also to handle this function for those Corps of Engineers projects that had been authorized in the area east of the Mississippi and mainly south of the Ohio River. However, senior officials in the Interior Department advised that a Southeastern Power Administration be established for this purpose and that in the meantime the job be given to the Division of Power, a staff agency which aided in supervising departmental power activities.[14]

Secretary of the Interior Julius A. Krug agreed but made an exception of eight of the Corps of Engineers projects that were located in the Cumberland River Basin. Since these projects fell naturally into the Tennessee Valley Authority system, it was decided that surplus power from them would be distributed by the Authority.[15]

The Interior Department then began seeking appropriations to set up a Southeastern Power Administration, but it achieved no success with the Eightieth Congress.

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[14] Memoranda, Arthur Goldschmidt to Reginald Price, October 23, 1947, William Warne to Krug, November 25, 1947, Michael Straus to Krug, October 2, 1947, File 1-310, Administrative General, Power Development, Southeastern General, Part 1, R.G. 48, N.A.

[15] Letters, Krug to Gordon R. Clapp, Chairman, Tennessee Valley Authority, February 10, 1947 and Krug to Senator Styles Bridges, February 18, 1945, File 3-10, Administrative General, Power Development, Southeastern General, Part 1, R.G. 48, N.A.; Annual Report of the Secretary of the Interior, 1947, 42; Annual Report of the Secretary of the Interior, 1948, 135.

With the situation more promising following the 1948 elections, it asked for $85,000 for such a purpose. Opponents reacted strongly. In Congress, Senator Elmer Thomas (Democrat, Oklahoma) accused the Interior Department of attempting to carve out a "power empire" in the area, and Senator Kenneth McKellar (Democrat, Tennessee) introduced a bill on May 25, 1949 that would have given the Corps of Engineers rather than Interior authority to market surplus power from the dams they built.[16]

Outside Congress a private utility representative, A. C. Spurr, President of Monongahela Power Company in West Virginia, charged that such a power agency in the Southeast, covering eleven states from Maryland to Florida would constitute the tie-up link in a chain by which the Government could choke off private power in a vast area from the Tennessee Valley Authority to the Southwestern Power Administration.[17]

Despite strong opposition, the public power forces won. The McKellar bill did not emerge from committee, and the final Interior appropriations bill (H.R. 3838), as enacted on October 12, 1949, provided $70,000 for setting up a marketing agency in the Southeast.[18] Therefore, on

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[16] Public Utilities Fortnightly, April 13, 1950, 497; telephone call, George Brady, Boston-American Company to Krug, February 4, 1949, Conference File, Krug Papers, L.C.; New York Times, May 26, 1949, 45.

[17] New York Times, March 19, 1950, III, 1.

[18] Public Utilities Fortnightly, April 13, 1950, 497; Congressional Quarterly, V (1949), 209-14, 792.

March 21, 1950, the Secretary of Interior established the Southeastern Power Administration and directed it to

> . . . carry out the functions assigned to the Secretary of Interior by Section 5 of the Flood Control Act of December 22, 1944, with respect to the transmission and disposition of electric power and energy generated at reservoir projects which are or may be under the control of the Army in the states of West Virginia, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Kentucky.[19]

Appointed as administrator was Ben Creim, a man long associated with Federal power. He had been an engineer with Bonneville Power Administration prior to World War II. As regional power manager for the Bureau of Reclamation in its Sacramento office after the war, Creim had won the reputation for being a hard but fair negotiator and a strong supporter of public power.[20]

III

The steam plant issue had its origins in the Tennessee Valley Authority area in the thirties. At first a good many people held that it would be unconstitutional for the Tennessee Valley Authority to build steam standby plants because the only purposes contemplated under the Act establishing the Authority were navigation and flood control. They argued that the Authority was acting within constitutional bounds by selling surplus power generated at dams that were built primarily for water control purposes, but to generate power by steam would be to indicate a clear intention to produce power without this "incidentalness."[21]

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[19] Departmental Order No. 2558, March 21, 1950, File 1-12, Administrative General, Instructions and Orders, Part 73, R.G. 48, N.A.

[20] Electrical World, March 6, 1950, 4-5.

However, the pressing needs of national defense soon silenced such opposition. Because of these requirements~~,~~ the Authority found it necessary to make full use of the four steam plants it had acquired in purchasing private systems in the area. Further demands placed on it by the growing needs of the Atomic Energy Commission plant at Oak Ridge, Tennessee made it obvious that the building of additional steam plants would be necessary. Therefore, Congress authorized the Tennessee Valley Authority to construct a new plant at Watts Bar dam.[22]

Few private power advocates found fault with this program of Federally built steam plants to aid in the national defense. However, once the war was over, they began to raise objections again on constitutional grounds to appropriations of funds for the construction of these facilities. When the Department of the Interior asked for funds to build steam plants in other areas of the country under the authority of the Flood Control Act of 1944, which obligated the Government to give preference to public bodies and cooperatives, private power proponents maintained that no energy other than "electric power and energy generated at reservoir projects" was mentioned in that act. Furthermore, they argued, this law, like the Tennessee Valley Authority Act, contemplated only projects that could logically be built under the Constitution: those intended primarily for flood control and navigation.[23]

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[21] C. Herman Pritchett, The Tennessee Valley Authority: A Study in Public Administration (Chapel Hill, N.C., 1943), 78.

[22] Glaeser, Public Utilities, 553; Vennard, Government in the Power Business, 198; Pritchett, The Tennessee Valley Authority, 78; Electrical World, February 7, 1948, 6, February 14, 1948, 79.

The Tennessee Valley Authority in 1948 held that since it became clear during and after World War II that the Tennessee River could not supply all the electricity needed in the region, particularly for defense, the Authority had had to turn to steam-electric generation. Even then a trend could be discerned toward greater use of steam generation which rose from .5 per cent of the power produced by the Tennessee Valley Authority in fiscal 1939 to 8 per cent in 1947. Because coal for the steam power existed in great quantities at reasonable prices nearby, the Authority felt that with the steam plants it could better carry out its responsibility to encourage wider use of electricity, give preference to public bodies and cooperatives and sell power at rates that would make the projects self-supporting.[24]

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[23] Vennard, Government in the Power Business, 121, 198-200.

[24] Lilienthal, TVA, Democracy on the March, 18-19; Electrical World, January 10, 1948, 13; McCraw, TVA and the Power Fight, 53.

Interior's position on the matter was that its agencies which marketed power from the Army Corps of Engineers projects under the Flood Control Act of 1944 could also legally build steam plants. The Department reasoned that steam power was commonly required to firm up the secondary power usually produced at Government hydro plants, which were normally located in highly variable sources of water supply. This electricity then would not have to go to private utilities, but could be made available to preference customers.[25]

A request for $4,000,000 in 1948 for the Tennessee Valley Authority to build a steam generating plant at New Johnsonville, Tennessee aroused heated debate in the Eightieth Congress. The House Appropriations Committee on Government Corporations denied the request, giving as reasons that it was illegal, was not essential to meet the needs of the Authority's priority customers and would set a precedent for future expansion of facilities for generation of electric power by methods that were unrelated to navigation and flood control. Opposition by Chambers of Commerce and private power companies was also mentioned in the majority report. A minority report argued that if the Authority were to be the only power supplier in the area, it would have to meet the increasing demands for power and that steam power was a logical adjunct to a hydro project since it rendered that project more efficient.[26]

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[25] Letter, Warner W. Gardner, Solicitor, Department of Interior, to Charles D. Curran, Chief Budget Examiner, November 16, 1945, File 1-310, Administrative General, Power Development, Southwestern General, Part 2, R.G. 48, N.A.

Similar arguments were advanced on the House floor when an amendment was being considered to restore the item, along with charges and countercharges regarding the degree to which Purcell L. Smith of the National Association of Electric Companies, one of the highest paid lobbyists in the Capital, had influenced the decision of the committee. The amendment failed to pass. While hearings were being held before the Interior Subcommittee of the Senate Appropriations Committee, Truman wrote the chairman, Styles Bridges, that the plant was needed to meet the normal, peace time increase in demand for electric power, as well as for possible future defense needs. The Senate Appropriations Committee honored the President's request, adding a $3.6 million item for the plant. Although the Senate approved the request, the House conferees were adamant, so that the final bill did not contain the steam plant item. When signing the Tennessee Valley Authority appropriations bill, Truman berated Congress for rejecting the steam plant, calling the decision "reckless and irresponsible."[27]

Because the 1948 elections sent a good number of public power sympathizers to Congress and put out of office many friends of private power, the chances for getting funds for the New Johnsonville steam generating plant appeared much brighter. Even the pro-private power Electrical World was predicting success for the Government.[28] Truman asked for an immediate appropriation to get the project started and additional funds for 1950 to speed up its construction. Therefore, the first money bill to reach the floor of either House in the Eighty-First Congress--the First Deficiency Appropriations Bill--contained an item for $2,500,000 for building the New Johnsonville steam plant.[29]

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[26] Congressional Quarterly, IV (1948), 111.

[27] Ibid., 110-112, 354; Congressional Record, 80th Cong., 2d sess., 1948, XCIV, 8282; "Statement by the President Upon Signing the Government Corporations Appropriations Act, June 30, 1948," Public Papers: Truman, 1948, 389; Hartmann, Truman and the 80th Congress, 143-45.

Although this amount represented only a fraction of one per cent of the total bill, it caused as spirited a debate as the issue had in the Eightieth Congress. Arguments on the floor of both Houses resembled those advanced in the preceding Congress, but this time the steam plant proponents were victorious with both Houses defeating every effort to delete the item. The ranking Republican member of the House Appropriations Committee, John Taber of New York, backed up by Republicans George Dondero (Michigan), James T. Patterson (Connecticut), Richard B. Wigglesworth (Massachussetts), Ivor D. Fenton (Pennsylvania), Edwin Arthur Hall (New York) and John Sanborn (Idaho) opposed the steam plant on the grounds that it represented another step toward socialization of the electric power industry. They argued that the Authority was in effect being subsidized by taxpayers from all over the country. Secondly, to take advantage of cheap power, several large corporations had moved into the area from the Northeast, causing economic harm to that area.[30]

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[28] Electrical World, November 13, 19[illegible]8, 11.

[29] Congressional Quarterly, V (1949), 233.

Representative Joe Evins (Democrat, Tennessee) countered that although some branch plants had grown up in the Tennessee Valley, not a single industry had moved there from the North. Replying to the socialization charge, Representative George H. Christopher (Democrat, Missouri) commented that every time forward-looking legislation was brought forth, the Republicans called it socialistic. They had called the Federal Land Bank that too. "That argument," he said "is so old that its whiskers drag on the floor of this chamber every time they drag it out."[31]

In the Senate debate, Senator A. Willis Robertson (Democrat, Virginia) spoke at length against the steam plant giving as his reasons that Congress lacked the power to authorize it, a private utility in the area was willing to provide the steam power and the Congress should not spend money unwisely in a time of fiscal crisis. Robertson described the measure as the first real test of congressional action on Government competition with private power, and he warned that following closely on this decision would be one regarding the proposed Delta plant at Antioch in the Central Valley of California.[32] Among those speaking in favor of the plant were Senator Kenneth McKellar (Democrat, Tennessee) and Senator Lister Hill (Democrat, Alabama) who based their support on the commerce clause in the Constitution and on national defense.[33]

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[30] Congressional Record, 81st Cong., 1st sess., 1949, XCV, 1220-22, 1246-50, 1257.

[31] Ibid., 1247, 1222.

President Truman asked Congress in early 1950 for $7,000,000 as part of a supplemental appropriations estimate for fiscal 1950 to begin construction of a $37,000,000 steam plant on Widow's Creek in Alabama. He justified it as necessary to fill the power needs of the Atomic Energy Commission's plant at Oak Ridge and "to furnish reliable and continuous service to existing aluminum, ferro-alloy and other important industries." This time scarcely a murmur of protest was heard from private power advocates.[34] The marked contrast of this response with the vociferous opposition to the New Johnsonville plant proposal was clearly attributable to the atomic energy and cold war arguments. Concerning the earlier request, the Electrical World had commented

> . . . one of the chief reasons we think steam electric operations are extra wrong is that they constitute an

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[32] Ibid., 4456, 4458.

[33] Ibid., 4458.

[34] Electrical World, February 13, 1950, 65, February 27, 1950, 74; Congressional Quarterly, VI (1950), 110-11.

> unnecessary going-out-of the way by government to help people who don't need help.[35]

However, it found the Widow's Creek item acceptable:

> The industry has never opposed--and never could--a federal power development seriously tagged by responsible federal officials as "emergency, for national security."[36]

Congress again cooperated when President Truman and Chairman Gordon Clapp justified in terms of national defense items for continuing work on the New Johnsonville and Widow's Creek steam plants for fiscal year 1951.[37]

With the Korean War in full swing, budget requests for expediting steam plant construction by the Tennessee Valley Authority met with little opposition in 1950 and 1951 because of defense requirements, especially the increasing needs of the Atomic Energy Commission installation at Oak Ridge.

However, in 1952 an item in the Tennessee Valley Authority portion of the Independent Office Appropriations bill for fiscal 1953 calling for the financing of eight new steam plants engendered some of the old arguments. Calling the Authority "the platinum-coated, sacred cow of the Government. . . . the No. 1 bull of the herd," Representative Frederic R. Coudert (Republican, New York) offered an amendment to reduce Tennessee Valley Authority funds by $4,000,000. This would have eliminated two more steam units in addition to the two removed by the House Appropriations Committee in its nearly $14,700,000 cut. The House approved the change. Although the public power and pro-Tennessee Valley Authority Senators carried the day in the Senate Appropriations Committee, where the higher House Committee figure was reinstated, a big battle ensued over the issue on the Senate floor.[38]

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[35] Electrical World, March 27, 1948, 75.

[36] Ibid., February 27, 1950, 74.

[37] Public Utilities Fortnightly, February 2, 1950, 168; Congressional Quarterly, VII (1951), 115-19, 139-41; "Annual Budget Message to the Congress, Fiscal Year 1951," January 9, 1950, Public Papers: Truman, 1950, 90; Press Release, President's Office, August 28, 1950, O.F. 42, Truman Papers, T.L.

In addition to the Committee amendment which called for raising the appropriation to $186,027,000, the Senators had before them an amendment introduced by Homer Ferguson (Republican, Michigan) which would have reduced the amount to $146,270,000, and in so doing cut out four of the steam units. Calling the Tennessee Valley Authority a monopoly by Government, Ferguson complained that Congress had been "feeding the calf" by supplying money to the Authority and that it was now time "to wean this calf" and let power distributing agencies in the area begin making plans to meet their own power needs. Senator Kenneth McKellar, rose in defense of the Authority, asking Ferguson if he would not admit that it was "one of the most successful calves of its kind" that had ever been raised in the United States. In the end, the Senate voted to accept its appropriations committee's figure, and this amount went into the final bill. However, the vote that rejected the Ferguson amendment was a close 31 to 36.[39]

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[38] Congressional Record, 82d. Cong., 2d sess., 1952, XCVIII, 2669, 2673, 6462-73.

[39] Ibid., 6464, 6473.

Congressman Coudert was again successful when a Supplemental Appropriations bill for fiscal 1953 came before the House in June 1952. His amendment to cut $65,000,000 from Tennessee Valley Authority funds, leaving only $85,000,000 to build steam plants, transmission lines and other power facilities for the expansion of the Atomic Energy Commission program passed on a 100-73 teller vote. Even though the request was justified on the grounds of national defense, Coudert's argument that private companies could easily supply this power carried weight. However, Senators sympathetic to public power again won out in the Upper House, and the original $150,000,000 request was granted.[40]

IV

The question of Federally built steam plants also arose in the Pacific Northwest. It became especially important in 1951 when a severe water, hence power, shortage occurred there and when defense needs created by the Korean war made it essential that aluminum companies, electro-process industries and the Hanford atomic energy plant be supplied with sufficient electric power. Senator Warren G. Magnuson (Democrat, Washington) urged the Department of Interior early in the year to consider steam plants for the Northwest because the power shortage there was being used as an excuse to move defense industries out of the area.[41]

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[39] Ibid., 6464, 6473.

[40] Ibid., 8356; U.S. Senate, Appropriations, Budget Estimates, Etc., 82d Cong., 2d sess., Senate Document 169 (Washington, D.C., 1952), 577; Public Law 547, Statutes at Large, LXVI (1952), 645.

Magnuson was referring to a proposal by Defense Electric Power Administrator Clifford B. McManus that no new, large power-consuming industrial companies be located in the Pacific Northwest until assurances would be given that their electric power needs could be met during low water periods.[42] McManus, president of the Southern Company, one of the largest private utility systems in the country, had been appointed by Secretary Chapman to head the Defense Electric Power Administration in the atmosphere of cooperation between public and private power engendered by the Korean crisis. Set up in the Department of Interior in January 1951, the Defense Electric Power Administration was intended to put under one agency all defense work related to both public and private power. It was responsible for allocating materials to the electric industry, determining where shortages lay and how to correct them and helping locate defense plants where there was sufficient power.

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[41] Letter, Willis T. Batcheller to C. Girard Davidson, February 17, 1951, File 1-310, Administrative General, Power Development, Pacific Northwest, General, Part 2, R.G. 48, N.A.

[42] Memorandum, McManus to Secretary of the Interior, February 1, 1951, _ibid_.

Although McManus had shocked some of his private power colleagues in early 1950 by suggesting that if private power could not build power projects, the Government should, most of them applauded his appointment.[43]

Since he was given responsibility for the Defense Electric Power Administration, the Secretary of Interior was expected to be a "neutral, impartial advocate of the nation's best interests" in any controversy that might arise between public and private power.[44] It was in this spirit that Chapman pledged in return for the cooperation from an advisory council on power for defense matters, to which he appointed twenty-one private power people out of a total of thirty, that he "would not use the defense powers entrusted . . . [him] as a means of advancing public power development at the expense of private power development."[45]

However, the old public versus private fight broke out again with the disagreement over steam plants in the Northwest. Interior Department Assistant Secretary C. Girard Davidson and Assistant Secretary William E. Warne in particular were enthusiastic about building the facilities. Davidson assured Senator Magnuson early in 1951 that he would foster a plan which included three steam plants, to bring a million kilowatts of new power to the area in the next two years. Furthermore, Davidson promised to do his best to see that the Northwest was not discriminated against with regard to steam facilities.[46] Warne opposed the McManus proposal to delay locating industrial companies in the Northwest (the plant then being considered for location there was Alcoa's new aluminum plant), urging Secretary Chapman to push the plan for steam plants: "We must continue to use all means at our disposal to expand the power facilities of the Northwest as rapidly as possible."[47]

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[43] U.S. Congress, House of Representatives, Hearings before the Subcommittee of the Committee on Appropriations, Interior Department Appropriations for 1952, 82d Cong., 1st sess., 20; Electrical World, January 15, 1951, 48; New York Times, April 2, 1950, 1, December 17, 1950, III, 1; U.S. Congress, House of Representatives, Hearings on H.R. 5743 (Hells Canyon Project), 82d Cong., 2d sess., (Washington, D.C., 1952), 125.

[44] Electrical World, October 23, 1950, 90; House, Hearings on H.R. 5743, 82d Cong., 2d sess., 125.

[45] New York Times, October 20, 1950, 24.

D. L. Marlett, Acting Deputy Administrator for Electric Power and Vice-Chairman of the Advisory Council on Electric Power Defense Production, agreed. He warned Chapman that the policy of locating large power-using industries outside the Northwest in high cost power areas would realize objectives sought by many private power executives--(1) to keep available Federal hydro-electric power for their own use and minimize use of more expensive steam plants and (2) to show that industrial demands on the

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[46] Letter, Magnuson to Batcheller, February 12, 1951, File 1-310, Administrative General, Power Development, Pacific Northwest, General, Part 2, R.G. 48, N.A.

[47] Memorandum, Warne to Chapman, February 12, 1951, *ibid*.

Federal system were not sufficient to warrant additional Federal hydro projects and steam plants.[48]

Chapman was persuaded. Overruling his private power advisors who maintained that there was not enough power in the Northwest to support expansion of the aluminum industry there, he informed the Defense Electric Power Administrator that he had decided that the Alcoa plant, as well as other defense plants, could "be economically located in the Pacific Northwest and supplied with power."[49]

The Secretary had alienated the private power industry, which charged that he had gone back on his promise not to use the war-time situation to extend public power, but he had succeeded in tying to the defense emergency the need for additional electric power and specifically steam plants to help firm that supply when water was low and to conserve coal and oil when water was high.

However, despite active promotion by the Secretary of Interior, efforts to get authorization of new steam plants from the Eighty-Second Congress failed. On September 27, 1951, Chapman testified in favor of H.R. 4963, which had been introduced by Representative Henry M. Jackson (Democrat, Washington) at hearings before the House

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[48] Memorandum, Marlett to Chapman, February 6, 1951, ibid.

[49] Memorandum, Chapman to McManus, March 1, 1951, ibid.; Electrical World, March 12, 1951, 79.

Committee on Public Works, and on October 5 he sent a four page letter to the chairman of the Committee urging enactment of a similar bill, S. 2161.[50] The Secretary based his argument both on defense purposes and on "serving general area loads without any necessary relationship" to defense. Although he admitted that the Department had taken a calculated risk in designating the Pacific Northwest as a location for defense industries needing large amounts of power, Chapman argued that steam plants could substantially reduce the risk posed by a possible critical water year. Because they could be made operational at least two years before any newly authorized hydro-electric plants could come into production, the steam plants could help firm up secondary hydro energy for defense. They also could be of permanent value to the region later even after more hydro plants were in existence by supplying power when water was low, by peaking capacity and serving as a standby power in case a transmission line or generator were to malfunction. The Secretary also explained that the Department wanted to avoid the mistakes made during World War II when aluminum plants that were built in areas of high cost power had to be closed down as uneconomical after the war. If these plants had been located in a low cost power area, argued

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[50] Letter to Representative Norris Poulson, November 21, 1951, File 1-310, Administrative General, Power Development, Pacific Northwest General, Part 3, R.G. 48, N.A.; letter, Chapman to Senator Dennis Chavez, October 5, 1951, Reading File, Chapman Papers, T.L.

Chapman, they could have continued to contribute to the wealth of the nation, and their products would have been available in 1951 for defense purposes.[51]

Chances for the steam plants looked promising when the House Public Works Committee reported the bill favorably on October 9, and supporters were predicting that it would pass Congress by the end of the month.[52] However, this situation changed when the pressing need for the steam plants rather quickly diminished. Heavy rains fell in the Northwest during the last week of September, allowing interruptible power to be restored by the Bonneville Power Administration to the region's aluminum industry and prompting the Office of Defense Mobilization to announce that it was no longer necessary to move the aluminum plants out of the area. Although Charles Wilson, former president of the General Electric Corporation and now head of the new Office of Defense Mobilization, was reported by his office to favor the plants, the public power opponent Senator Henry Cain reported after a conference with Wilson on November 2 that the control chief was critical of the plan.[53]

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[51] Letter, Chapman to Senator Dennis Chavez, October 5, 1951, Reading File, Chapman Papers, T.L.

[52] Letter, Willis T. Batcheller to Charles E. Wilson, October 10, 1951, File 1-310, Administrative General, Power Development Administrative, Part 9, R.G. 48, N.A.

[53] New York Times, September 29, 1951, 23, October 3, 1951, 49, November 2, 1951.

Furthermore, a minority report on H.R. 4963 raised the question of whether there really was a power shortage in the Pacific Northwest and implied that the Department of Interior had artificially created a shortage in order to extend Federal public power. This debate between the public and private traditions over whether or not a power shortage actually existed in the nation was a perennial one and one in which Charles Wilson had sided with private power before becoming Defense Mobilizer. Even when the Korean War broke out, private power executives still claimed that they could meet all power demands and maintained that the emergency was being "used to promote Government power plants with the same old propaganda about 'power shortages.'"[54]

Although Truman recommended in January 1952 that Congress authorize steam plants in the Columbia Basin and although Administrator Paul Raver also advised such action if the Bonneville Power Act could be amended, nothing came of the Truman Administration's efforts to build steam plants in the Pacific Northwest.[55]

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[54] *Ibid.*, October 25, 1950, 57; see also October 19, 1949, 19, October 31, 1949, 33, May 23, 1950, 43, May 27, 1950, 24, July 21, 1950, 26, July 27, 1950, 35, August 15, 1950, 37, October 29, 1950, III, 1, January 30, 1951, 32, October 7, 1951, 29, October 9, 1951, 46.

[55] "Annual Budget Message to the Congress: Fiscal Year 1953," January 31, 1952, *Public Papers: Truman, 1952-53*, 89; House, *Hearings on Interior Department Appropriations for 1952*, 82d Cong., 1st sess., 178-79.

V

In addition to the problem of steam plants, the question of whether the Federal Government should or could legally build transmission lines from its projects, in order to market at wholesale the hydro-electric power it generated, became a subject of heated debate in the public versus private power struggle. Opposition by private power spokesmen to Interior Department requests for appropriations for such facilities on the grounds that their companies were willing to build any such lines that were needed led, in turn, to pressure from Congress on the Government to negotiate "wheeling" contracts with private utilities. Under these contracts, the companies would agree to "wheel" or transmit Federally generated electrical energy over their lines to customers of the Government.

Certain areas of the country have been selected to illustrate some of the more significant encounters involving these aspects of public versus private power fight during this period. This chapter will deal with the major ones concerning the Central Valley, while the following chapter will consider those that occurred in or were directly related to the areas of the Southwestern and Southeastern Power Administrations.

In general, the two sides took the following positions on the question of transmission lines and wheeling contracts. In addition to arguing that there was no need for the Federal Government to build transmission lines since private power was able to provide all that were needed, private power proponents also contended that Government construction of such facilities was not sanctioned by law. Section 5 of the Flood Control Act of 1944, to which both sides referred in their respective arguments, reads as follows:

> The Secretary of Interior is authorized, from funds to be appropriated by the Congress, to construct or acquire by purchase or other agreement only such transmission lines and related facilities as may be necessary in order to make the power and energy generated at said projects available in wholesale quantities for sale on fair and reasonable terms and conditions to facilities owned by the Federal Government, public bodies, cooperatives, and privately owned companies.[56]

Private power advocates emphasized the words "as may be necessary," arguing that the intent of Congress was to circumscribe the powers of Interior. If a private company wanted and was able to build a transmission line, it would not be necessary for the Government to do so. Therefore, under this law, it would be improper for the Government to build such a line. Furthermore, the building of such lines by the Government, if allowed to continue, would force private companies out of business, and in the end socialize the electric power industry.[57]

In some instances private power companies were willing to execute wheeling agreements with the Government. However, they disagreed with the Interior Department on whether they had to "wheel to any and all customers of the Government, including any future customers, the duration and responsibility of the agreement, the geographical scope of the agreement, the amount to be paid by wheeling, the obligation of the company to increase its transmission capacity if necessary," and other matters.[58]

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[56] Statutes at Large, LVIII, Part 1 (1944), 891.

[57] Vennard, Government in the Power Business, 121, 130-31.

On the transmission lines question, the Department of the Interior followed the policy as laid down by Secretary Ickes in a memorandum in 1946:

> Transmission outlets to existing and potential wholesale markets shall be adequate to deliver power to every preferred customer within the region upon fair and reasonable terms.[59]

As to the legality of the Government's building such lines, public power proponents emphasized the section of the 1944 act that designated the Secretary of the Interior as the marketing agent for power produced at all Army Corps of Engineers projects and the clause that granted preference in the sale of such power to public bodies and cooperatives. This act, as well as the Reclamation Act of 1906, the Raker Act of 1913, the Federal Water Power Act of 1920, the

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[58] Report, "Power Transmission," undated, Correspondence File, General, 1949-53, Power (Information), Chapman Papers, T.L; letter, Chapman to Senator George Smathers, March 4, 1952, Miscellaneous Records, Reading File, ibid.

[59] Memorandum, Secretary Ickes to All Staffs of the Department of the interior, January 3, 1946, File 1-310, Administrative General, Power Development, Administrative, Part 5, R.G. 48, N.A.; report, "Power Transmission," undated, Correspondence File, General, 1949-53, Power (Information), Chapman Papers, T.L.

Boulder Canyon Act of 1928, the Tennessee Valley Authority Act of 1933, the Rural Electrification Act of 1936, the Bonneville Act of 1937, the Fort Peck Act of 1938, and the Reclamation Project Act of 1939, obligated the Interior Department "to get low-cost energy" to wholesale customers "with preference to public bodies."[60] This responsibility included seeing to it that "equality of access to the power" was maintained; thus, transmission lines were necessary. Since the Department concerned itself with large, individual, industrial and wholesale use and not general distribution, it did not see itself as conflicting with power distribution by private utilities.[61]

The Interior Department's guiding principles for contracting wheeling arrangements with private utilities were set down in the 1946 Ickes memorandum and in a July 14, 1950 memorandum signed by Secretary Chapman. Along with those that pertained to transmission lines and other aspects of operation, planning and construction of power facilities and sale of electric energy, these principles were intended as the operational basis for achieving the five primary objectives of the Acts that pertained to public power.

Since the issue of wheeling contracts was not so important in 1946 as it later became, the Ickes directive merely stipulated that in making such agreements the rights of public agencies and cooperatives as preference customers be guaranteed and that these contracts contain a time limit. The Chapman memorandum added a number of standards to be followed in negotiating wheeling agreements, among which were the following:

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[60] Annual Report of the Secretary of the Interior, 1946, 20.

[61] Ibid.

> (a) The arrangements must assure Government customers the same high quality of service, the same opportunity to develop and serve increased loads, and the same right to contract directly with the Government, which they would have if the Government were to build its own facilities.
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> . . . .
>
> (c) The arrangements shall not provide for or have the effect of monopolizing the power by sale thereof at the bus bar or otherwise.
>
> (d) The arrangement should provide the Government with an equal or more advantageous method of supplying power to its customers than through construction by the Government of separate transmission facilities, compatible with the requirement that the power be so disposed of that the consumers will benefit therefrom at the lowest possible rates consistent with sound business principles and with the maintenance of adequate service.[62]

The President stated his attitude toward such contracts in a letter to Senator Carl Hayden:

> Wheeling agreements, in general, do not guarantee the delivery of power to preference customers--they simply make the surplus carrying capacity of the

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[62] Memorandum, Secretary of the Interior to Administrators of Bonneville, Southeastern and Southwestern Power Administrations; Acting Director, Division of Power and Commissioner, Bureau of Reclamation, July 14, 1950, File 1-310, Administrative General, Power Development, Part 7, R.G. 48, N.A.; memorandum, Secretary of the Interior to All Staffs of the Department of the Interior, January 3, 1946, _ibid._, Part 5.

> private power company's lines available to the Government. At any time the private company makes use of its lines for other purposes, preference customers may be dropped from service. Obviously, therefore, the Government needs continuing authority to build transmission lines in case the wheeling agreement does not bring the results it was intended to achieve.[63]

VI

In the Central Valley of California, a controversy centered around whether the Bureau of Reclamation would build transmission lines from its Shasta Dam in the North down the east and west sides of the Sacramento Valley or whether a private utility, namely, the Pacific Gas and Electric Company, would be allowed to buy the power at the bus bar and build its own transmission lines. The private utility also opposed the Government's proposal to build the Delta Steam plant at Antioch, California, as well as switchyards and other related facilities intended to firm up and integrate Federal hydro-electric power in the Central Valley project. Another major issue concerning this area was the question of whether the Interior Department should be allowed funds to construct a major tie-line between the Central Valley project and the Bonneville Power Administration system in the Pacific Northwest.

The Central Valley project had long been a source of contention among Federal, state and private power proponents as well as between the Bureau of Reclamation and the Corps of Engineers. Conceived and initiated with the goal of carrying water from the Sacramento Valley in the North to the semi-arid San Joaquin area in the South, it was authorized in 1933 by the California legislature and taken over by the Federal government at the request of the state by acts of Congress in 1937 and 1940. Initially, there had been substantial concern on the part of Californians regarding the confliot in plans and purposes of the Corps of Engineers and the Reclamation Bureau. Jealous guardians of states' rights, especially water rights, a majority of Californians opposed solving the administration problem by setting up a valley authority. Some favored having the Bureau run the project; others wanted the State of California to take it over again.[64]

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[63] "Letter to Senator Hayden on the Effect of Certain House Amendments on Hydroelectric Power Policy," June 11, 1951, Public Papers: Truman, 1951, 327.

Aware of the conflict between the two agencies regarding the development of the Central Valley, Truman in 1945 had asked the Secretaries of the Army and Interior to submit comprehensive reports to him. On August 29, 1949, the Department of Interior transmitted to Congress its comprehensive plan for development of the resources of the Valley. Along with it went an endorsement and letter from the President authorizing the so-called Folsom formula, which provided that multiple purpose dams would be the responsibility of the Bureau of Reclamation, and the works built entirely for flood control would be under the jurisdiction of the Engineers. With the passage of the Engle Bill authorizing the Folsom Dam in October 1949, this formula was applied for the first time.[65]

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[64] Charles M. Coleman, P.G. and E. of California, The Centennial Story of Pacific Gas and Electric Company, 1852-1952 (New York, 1952), 324-26; report, Robert B. Head, Consultant to the Central Valley Project Conference, September 8, 1945; letter, George Schlmeyer, Chairman, Central Valley Project Conference to Truman, September 17, 1945, O.F. 620, Truman Papers, T.L.; New York Times, April 4, 1951, 45, July 16, 1951, 28.

This argument having been resolved, the controversy between the Bureau of Reclamation and the Pacific Gas and Electric Company over the Government's right to build transmission lines and steam plants in the Valley assumed major importance. The Bureau and its parent agency, the Interior Department, as well as other public power sympathizers, such as Governor Earl Warren of California, took the view that such facilities constituted an integral part of the project itself because they were necessary to assure a secure power supply as well as to comply with the spirit and philosophy of the Central Valley Act and other acts of Congress. Without transmission lines, the preference policy could not be followed since Pacific Gas and Electric Company would be the Government's only customer.[66]

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[65] Folsom Dam and Reservoir constituted a key unit in the Central Valley project; Department of the Interior Press Release, August 30, 1949, Reclamation, 1949-50 folder, General Office Files of Assistant Secretary C. G. Davidson, 1946-50, R.G. 48, N.A.; memorandum, Frank Pace, Jr., Director of the Bureau of the Budget to the President, August 5, 1949, Budget Bureau Memoranda and Letters on Water Policy Issues folder, Roundup of Information and Opinion, 1950-51, P.W.R.P.C. Records, T.L.; transmittal letter, Secretary Krug to Harry S. Truman, July 29, 1948, O.F. 620, Truman Papers, T.L.

[66] U.S. Congress, Senate, Interior Department Appropriations Bill for 1949, Hearings before a Subcommittee of

Pacific Gas and Electric representatives, on the other hand, maintained that neither the Constitution nor any statute granted the Government authority to build a steam plant and transmission lines as part of the project and that their company was willing to supply all the necessary stand-by power and transmission facilities.[67]

Since 1941, the Bureau had been seeking funds from Congress to build transmission lines south from the great multi-purpose Shasta Dam, one on the east side and two on the west side of the Sacramento Valley. Always, the Pacific Gas and Electric Company testified that its lines were adequate and that it expected a leveling off in demand for power. When the Seventy-Ninth Congress appropriated funds to build the east side line but denied funds in 1947 for the west side lines, the private utility began building two lines on the west side. Therefore, when the Interior Department sought funds the following year for their proposed west side lines, the Company argued that if constructed they would duplicate the ones it was building.[68]

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the Committee on Appropriations on H.R. 6705, 80th Cong., 2d sess. (Washington, D.C., 1948), 14-15, 19, 28, 916-17; U.S. Congress, Senate, *Interior Department Appropriations Bill for 1950, Hearings before a Subcommittee of the Committee on Appropriations on H.R. 3838*, 81st Cong., 1st sess. (Washington, D.C., 1949), 2511.

[67] Newspaper clipping, *San Francisco News*, March 30, 1949, Bureau of Reclamation, *1946-49, Office Files of Secretary of Interior Oscar Chapman, 1933-53*, R.G. 48, N.A.

[68] U.S. Congress, Senate, *Interior Appropriations Bill for 1948, Hearings before a Subcommittee of the Committee on Appropriations*, 80th Cong., 1st sess. (Washington, D.C., 1947), 14.

The House of Representatives in the Eightieth Congress was particularly hostile to public power. Budget items for transmission lines and steam plants were favorite targets for its axe. In both sessions the House Appropriations Committee recommended against the west side lines and the Delta steam plant. While these two items fared no better in the Senate, the Upper House, which had a tradition of being less severe toward power funds, was responsible for the inclusion in the final bill of a $1,500,000 appropriation for fiscal 1947 to begin construction of a line from Shasta Dam to the Shasta Pacific Gas and Electric substation. The day after he signed the Interior Department Appropriation Act, President Truman charged that in certain of its provisions Congress had "made a broad attack on the national public power policy." He included in his examples the failure to grant funds for the west side lines.[69]

The Central Valley transmission lines, substations and the Delta steam plant seemed to stand a much better chance of being approved in 1949, particularly since they had constituted an important campaign issue in the West. That Pacific Gas and Electric agreed was evidenced when its president, James Black, sought and gained a private audience with Truman to try to convince him that his company "was being unduly mistreated" by the extension of Government power lines in the Central Valley. However, the President "was not impressed" with the argument.[70] Equally unconvinced was Krug who wrote Truman:

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[69] Senate, Hearings on Interior Department Appropriations Bill for 1949, 80th Cong., 2d sess., 28, 917; U.S. Congress, House of Representatives, Interior Appropriations Bill for 1950, Hearings before a Subcommittee of the Committee on Appropriations, 81st Cong., 1st sess. (Washington, D.C., 1949), 298-99; House, Hearings on Interior Department Appropriations for 1950, 81st Cong., 1st sess., Part 1, 1091; "Statement by the President on the Interior Department Appropriations Act," June 30, 1948, Public Papers: Truman, 1948, 390-91.

> If Mr. Black's position were adopted, it would result in the complete negation, with respect of the Central Valley, of the prevailing Federal power policy which you have so often stressed as a part of your program for development of the Nation's natural resources. Denial of funds for Federal construction of transmission lines and a steam plant would strengthen the present monopoly position of the Company.[71]

Therefore, the Bureau of Reclamation again asked Congress for funds to build these facilities. Again, Black appeared before the Interior Subcommittees of both Houses to ask that the request be denied. The private utility president presented his usual arguments--that the lines were unnecessary since the five 230,000 volt lines then crossing the valley were adequate; that if the Bureau built its lines, the company would be severely hurt economically and that the Delta steam plant was not needed because his company could supply the Bureau with stand-by power at a cost no higher than the amount it would cost the Government to produce it. Furthermore, said Black, Pacific Gas and Electric would enter into a wheeling agreement with the

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[70] Memorandum, Truman to Krug, February 25, 1949, O.F. 620, Truman Papers, T.L.

[71] Memorandum, Krug to Truman, March 2, 1949, ibid.

Government. Heretofore, he said, the two sides simply had not been able to get together.[72]

Ben Creim, Regional Power Manager at Sacramento for the Bureau, and Commissioner Straus responded that more lines were needed because all five generators at Shasta Dam would be working in the coming year; that if Mr. Black still did not believe in the great growth potential of California, the Government would be glad to buy his company's transmission lines and that Pacific Gas and Electric did not have the capability to supply stand-by steam power much less produce it as cheaply as the Central Valley project could.[73] As to the likelihood of executing a wheeling contract, Creim expressed astonishment at Black's testimony:

> I want to state to you firmly and with all the emphasis at my command that the Pacific Gas and Electric Company has refused to favorably consider contractual terms on each and every occasion when the subject of exchange service was presented to them for inclusion in our contract for providing service to preference agencies.[74]

One heated exchange occurred before the House subcommittee concerning the question of whether the appropriation of the previous year had been intended for beginning the west side lines or only for tying the Shasta Dam to the Shasta substation. In his statement on the 1949 Interior Appropriation Act, the President had referred to the Shasta Dam-San Francisco area line as "previously authorized." Now, before this subcommittee, Creim testified that Congress had granted the Bureau money to begin construction on these lines with the "stipulation . . . that the first service should be to the Shasta Pacific Gas & Electric substation." However, Representative Ben F. Jensen (Republican, Iowa), a consistent opponent of such a request, insisted that the west side lines had been turned down every year in the six years that he had been sitting on the committee and that "by no stretch of the imagination" could one read into the language of the bill that it had been approved. The fact was, charged Jensen, that additional money had been granted the previous year for the Shasta-Pacific Gas and Electric substation line only because the Bureau had taken the funds appropriated earlier, struck off for "Timbuctoo" and then ran out of money.[75]

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[72] Senate, Hearings on Interior Department Appropriations Bill for 1950, 81st Cong., 1st sess., 1815, 2509-10; Coleman, P.G. and E. of California, 329.

[73] Senate, Hearings on Interior Department Appropriations Bill for 1950, 81st Cong., 1st sess., 2513.

[74] Ibid., 2515; see also 2512-14.

The newly elected House of Representatives approved the funds for the facilities, although it cut the total figure for power funds by a sizeable amount. The Senate Appropriations Committee was the hostile group this time, striking out all three items and directing Federal agencies to negotiate wheeling contracts with private utilities. After considerable debate on the Senate floor regarding the dominance of the power lobby versus the dangers of socialism, the items for the transmission lines--$100,000 for power facility surveys and $2,000,000 for the west side Shasta-Tracy lines--were restored, but the cut for the Delta steam plant, the substations and switchyards was retained. The bill passed in this form.[76]

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[75] House, Hearings on Interior Department Appropriations Bill for 1950, 81st Cong., 1st sess., 298; "Statement by the President on the Interior Department Appropriation Act," June 30, 1948, Public Papers: Truman, 1948, 390-91.

In asking that the Interior Department make every effort to negotiate wheeling agreements before beginning to build transmission lines, the Senate committee admitted it was getting into the area of setting national power policy. The Conference Committee refused to include such a directive, but when the two Houses accepted the report on October 6 and 7, they indicated that they would ask for progress reports on this matter from the Department.[77]

Public power liberals saw in this appropriation bill a victory of sorts because the funds for the transmission lines were reinserted, while private power could view it only as a defeat since the Council of State Chambers of Commerce had stated only a week previously that if the transmission lines were approved, the day would be "hastened when the nationalization of electric power in the United States will loom as a fait accompli."[78] Private power could take heart, however, in the refusal by Congress to grant funds for the Delta steam plant and in the close vote in the Senate (45-38), described by private power adherents as "the best vote in the Senate on public power since 1933" and in the hope that Interior would negotiate wheeling contracts with private companies more or less on their terms.[79]

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[76] Senate, Hearings on Interior Department Appropriations Bill for 1950, 81st Cong., 1st sess., 1148; Congressional Quarterly, V (1949), 209-11, 761; U.S. Congress, Senate, Appropriations Budget Estimates, Etc., 81st Cong., 1st sess., Senate Document 125 (Washington, D.C., 1949), 107.

[77] Congressional Quarterly, V (1949), 209-12, 761.

Despite this encouragement, the Department of Interior saw that it would still have to proceed slowly on this matter of the right of the Federal Government to build transmission lines and steam plants because in the minds of many Congressmen, to say nothing of the private power people and their lobbyists, such policy had not been established in law. Furthermore, Secretary Krug and Assistant Secretary Oscar Chapman agreed that nothing in the appropriations bill for 1950 authorized them to begin building the steam plant and that Straus must be kept in line because he had "such a strong will to do things whether they . . . [were] approved or not."[80]

In the next session of Congress, Interior asked for

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[78] New York Times, August 26, 1949, 3.

[79] Ibid., August 28, 1949, III, 1.

[80] Telephone call, Oscar Chapman to Secretary Krug, October 6, 1949, Conference File, Krug Papers, L.C.

$2,000,000 for the Delta steam plant and switchyard as well as over $13,000,000 for transmission lines, switchyards and substations.[81] However, Secretary Krug, along with Assistant Secretary Davidson and Dr. Paul Raver, Bonneville Power Administrator, decided that the time was not ripe to ask for funds to interconnect the Bonneville and Central Valley power systems, which the Department had been planning for some time. "If Reclamation puts in their justification," observed Davidson, "all hell will break loose."[82]

This inter-tie had been the subject of discussion and study by Department officials since early 1945. As a result, a preliminary report was presented by the Bureau of Reclamation in January 1949 which indicated that the interconnection would be economically feasible, beneficial to both California and the Northwest and helpful to the national interest. It would make available to California, which had a scarcity of water, possibly 600,000,000 kilowatts of hydro-electric power then being wasted in the Northwest in off-peak (low demand) periods and would allow transmission of steam power from California to the Northwest during low water periods in the Columbia

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[81] U.S. Congress, House of Representatives, Interior Department Appropriations for 1951, Hearings before a Subcommittee of the Committee on Appropriations, 81st Cong., 2d sess. (Washington, D.C., 1950), 698-99.

[82] Telephone call, Davidson to Krug, October 8, 1949, Conference Record, Subject File, Krug Papers, L.C.

River system.[83]

Budget estimates for the Department of Interior for fiscal 1949 had included $70,000 for examination and surveys of power facilities, part of which was intended to survey a possible future interconnection between the Central Valley project and the Bonneville system. These funds were granted but with the proviso that none be used for examination and surveys of power facilities outside the state of California. In 1949, the Bureau again asked for an appropriation to finance "studies . . . of the possibility of interchanging power with systems in adjacent drainage systems to improve power supply." As passed, the bill provided that no more than $100,000 could be spent for making examination and surveys of power facilities.[84]

Justification submitted to the House Appropriations Committee to support 1951 Central Valley budget estimates did not refer specifically to further survey work on the inter-tie. There was an item of $400,413 included for

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[83] Federal Power Commission, "Statement Regarding Status of Investigation, Work, Surveys, Design, etc., on Proposed California Northwest Intertie," in House, Hearings on Interior Department Appropriations Bill for 1952, 81st Cong., 2d sess., 501-03; memoranda, Krug to Straus, March 25, 1949, Otis Beasley, [illegible]irector of Budget and Finance, and Harry W. Rice, Finance Examiner, to Chapman, June 12, 1951, File 1-310, Administrative General, Power Development, Bonneville Project, Administrative, Part 1, R.G. 48, N.A.

[84] Memorandum, Beasley and Rice to Chapman, June 12, 1951, File 1-310, Administrative General, Power Development, Bonneville Project, Administrative, Part 1, R.G. 48, N.A.; Senate, Appropriations, Budget Estimates, Etc., 81st Cong., 1st sess., 107.

"development of project plans." Richard S. Boke, Sacramento Regional Director of the Bureau, testified, as directed by his superiors in the Department of Interior, that while it would like funds for the tie line at a future date, the Bureau was not asking for any money for construction at the present time.[85]

However, at the very moment that the House subcommittee was conducting its hearings on the bill for fiscal 1951, Commissioner Straus, unknown to the Interior Department as well as to Congress, was already "getting out of line." Bureau of Reclamation engineers were surveying a possible inter-tie. When Chapman (now Secretary of the Interior) discovered what was happening, he ordered the testy Straus on February 28, 1950 to stop the survey since it had been decided not to include an item in the budget for the line.[86] Never one to unquestioningly follow orders with which he disagreed, Straus argued that he was proceeding under Public Law No. 350, the 1950 appropriations bill, which had provided $100,000 "for surveying power facilities."[87] However, the Commissioner did stop the work in March..

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[85] Memorandum, Beasley and Rice to Chapman, June 12, 1951, File 1-310, Administrative General, Power Development, Bonneville Project, Administrative, Part 1, R.G., 48, N.A.; memorandum, Commissioner of Bureau of Reclamation to Secretary of the Interior, March 3, 1950, ibid.

[86] Memorandum, Chapman to Straus, February 28, 1950, ibid.

[87] Memorandum, Straus to Chapman, March 3, 1950, ibid.

In August, Commissioner Straus asked for permission to resume survey activities, but his request was denied. By now Northwest residents were expressing extreme opposition to the line because they feared loss of what they considered their power to California. To begin such work before action on the 1951 appropriation bill was completed, reasoned Department officials, would look suspicious as well as possibly jeopardize the request for a line in Oregon (Maupin to Klamath Falls), which represented two-thirds of the inter-tie. Furthermore, with the Korean conflict under way, Interior began to consider the possibility of arguing its case on the basis of defense with particular attention to aluminum production and the expected shortage of power in the Northwest.[88]

Meanwhile, the House Appropriations Committee went on record as opposing the tie line, stating it was not authorized and that "no expenditure of funds should be made in fiscal 1951 from any appropriation available to the Bureau for reconnaissance, preliminary survey, design, or any other work in connection with this proposed line." It also eliminated the transmission lines, switchyards and steam plant items, and the House went along.[89]

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[88] Memoranda, John D. Davis, Manager, Bonneville Power Administration, Washington, D.C. Office, to Joel Wolfsohn, Assistant to the Secretary, August 2, 1950; Beasley and Rice to Chapman, June 12, 1951, ibid.

[89] U.S. Congress, House Report 1797, 81st Cong., 2d sess., March 21, 1950, 171.

At hearings held on the bill by the Interior Subcommittee of the Senate Appropriations Committee, Government representatives asked that the Delta Steam plant and switchyard, the Elverta switchyard, the Keswick-Tracy-Elverta line, the Folsom-Elverta line, the Tracy-Patterson line and the Roseville, Patterson and Vernalis substations, totalling $4,450,000, be restored. Testifying that he believed that the House committee had cut these items "on the advice of Mr. James Black," Commissioner Straus charged that Black had led the House committee to believe that his company would enter into negotiations for wheeling contracts with the Bureau that were "satisfactory to the reclamation law" when the truth was that Pacific Gas and Electric's negotiations had never revealed such an intent.[90]

However, on the issue of contracts and the question of which side had shown a willingness to negotiate in good faith, it was the private utility that scored with the Senate committee, largely because of an error in judgment by Interior Department and Bureau of Reclamation officials. In the most recent series of exchanges going back to October 1949, a first draft of a contract had been sent to Pacific Gas and Electric by the Interior Department on December 19. At a meeting held on February 17 between the Bureau and company representatives, Pacific Gas and Electric offered substitute articles which the Bureau and the Secretary of the Interior found "totally unacceptable."[91]

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[90] U.S. Congress, Senate, Interior Department Appropriations Bill for 1951, Hearings before a Subcommittee of the Committee on Appropriations, 81st Cong., 2d sess. (Washington, D.C., 1950), 467; letter, Secretary Chapman to Robert H. Gerdes, General Counsel, Pacific Gas and Electric Company, May 8, 1950, Reading File, Chapman Papers, T.L.

At this point the meetings were suspended because some members of the joint negotiating group had to be in Washington for hearings on H.R. 5264, the 1951 appropriations bill. At these hearings, Secretary Chapman told the Senators on April 4 that the counterpropsal could not be accepted because it contained conditions that ran "counter to the public power policy of the Government."[92] He asked that funds for the transmission lines be granted so that the Department could protect the preference and other features of public power policy by having a strong position from which to negotiate. When urging that the Delta steam plant item be restored, Chapman reminded the committee that it had cut funds for this plant the year before "on the assumption that the P.G. & E. would negotiate a suitable contract with the Department. We have tried to get that contract," he continued, but "the Government cannot wait any longer for the company to make up its mind whether it can accept this committee's instructions of last year."[93]

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[91] Senate, Hearings on Interior Department Appropriations Bill for 1951, 81st Cong., 2d sess., 1193-94; letter, Secretary Chapman to Robert H. Gerdes, May 8, 1950, Reading File, Chapman Papers, T.L.

[92] Senate, Hearings on Interior Department Appropriations Bill for 1951, 81st Cong., 2d sess., 29.

[93] Ibid., 30.

A few days later Harvey F. McPhail, Director of the Branch of Power Utilization for the Bureau of Reclamation, told the same group that the company did not want to make a wheeling agreement that was "within the law and Federal policy." He then went on to list seven reasons why the counter proposal was unacceptable to the Bureau:

> (1) It so limits our firm capacity at Shasta and Keswick that it extends the repayment period by over 30 years; (2) it limits the number of preference customers to such a small number that the Bureau, in effect, cannot carry out the preference provisions of reclamation law; (3) it would establish the Pacific Gas & Electric Co. as a preference agency customer which is contrary to Federal power policies and law; (4) it would prohibit the Bureau from serving any customer directly; (5) it involves the sale of Federal power in a manner by which the Federal Government would, in effect, subject itself to the control of the California Public Utilities Commission; (6) it does not provide for the inclusion of future hydro projects which may be developed by the Federal Government; (7) it does not provide for firming steam capacity.[94]

This testimony by Straus, Chapman and McPhail backfired on April 17 when Black informed the committee that he had first heard of these seven points from a press release the day before and that to that date Pacific Gas and Electric had never been advised by anyone "connected with the Bureau, as to the Bureau's attitude with respect to the contract proposals . . . [the company] made on February 17."[95] Supporting Black's testimony, the head of Pacific Gas and Electric's negotiating team, General Counsel Robert H. Gerdes, answered all seven points and ended his statement by offering to submit financial differences between the two parties to the Federal Power Commission or the California Public Utilities Commission for a final decision.[96]

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[94] Ibid., 814.

[95] Ibid., 1187; see also 1184-86.

The private utility had definitely gained the advantage with the committee. Senator William F. Knowland (Republican, California), commented that if it were true that the Government had not notified the company until the day before, and then through the press, he would be "a little shocked."[97] Senator Hayden, whom Interior could usually count on to help, offered to the committee the summary of the contract negotiations submitted by the Bureau on April 1 which read, "The effect of this proposed change [of February 17] is being carefully studied. Further conferences are contemplated." However, Senator Kenneth Wherry (Republican, Nebraska) reminded the Chairman that only three days later Chapman had told the committee that the Government could wait no longer for the company to make up its mind.[98] McPhail could only admit that the Bureau had not transmitted the seven objections to the company in two months time, explaining that the Department, with a limited staff, was busy during this time making a "complete repayment and financial analysis of the Central

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[96] Ibid., 1188-93.

[97] Ibid., 1193.

[98] Ibid., 1197.

Valley project" based on the company's counter proposals.[99]

When questioned on this matter again by Senator Allen J. Ellender, Jr. (Democrat, Louisiana), who wanted to know why he would want to build a steam plant if the Bureau could reach an agreement with Pacific Gas and Electric, Secretary Chapman replied:

> If they do sign a contract, we would not have to build a plant. We would probably not have to build a line but they would not sign a contract with us. We know when we have been given the run-around.[100]

Chapman continued to stand his ground. When Gerdes wrote Senator Hayden on May 8 suggesting that a meeting between the private utility and the Government be held in front of the Senate Appropriations Committee to resolve their differences, the Secretary refused, saying that he did not believe "a single meeting could hope to resolve the differences of policy which have been the subject of unsuccessful negotiations for seven years" and that in any case, the Senate committee was an inappropriate place for negotiations.[101] However, Interior had failed to make its case with the Senate. Funds for the Central Valley transmission and steam facilities were not included in the final appropriations bill for fiscal 1951.

In 1951 Interior repeated its requests for funds to build transmission lines in the Sacramento Valley and between the Central Valley lines at Elverta and the new dam and power plant being built on the American River at Folsom. Funds for lines intended to serve Government installations in the area that had a direct connection with the defense effort were also requested. However, the Department temporarily abandoned hopes of getting the Delta steam plant item approved.[102]

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[99] *Ibid.*, 1196.

[100] *Ibid.*, 1709-10.

[101] Letter, Chapman to Gerdes, May 8, 1950, Reading File, Chapman Papers, T.L.

The chances for getting appropriations for these Central Valley transmission lines were considerably reduced with the announcement by Chapman on April 4, while the bill was being considered by the House, that a ten-year wheeling contract had been signed with Pacific Gas and Electric Company. The New York Times described this action as the culmination of a decade long struggle that constituted "one of the nation's bitterest battles since the formative stages of T.V.A."[103]

Public power advocates were dismayed by the agreement, while private power proponents hailed it as a victory. Under its terms the Bureau would deliver power to the company at Tracy, California. When the company had transmitting capacity available, it would carry the power to customers of the Government for which the Government would pay the utility at an agreed upon rate. The Government contract represented a compromise; for, as the Bureau of Reclamation stated, it put the Government at the mercy of the company which could "at any time, notify the Bureau" that it had no excess capacity, thereby rendering it "unable to wheel the public power to public preference customers."[104]

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[102] Report, "California Transmission Lines," undated, File 110, Administration and Planning Authorization and Policies, R.G. 115, W.N.R.C.; House, Hearings on Interior Department Appropriations Bill for 1952, 82d Cong., 1st sess., 313, 536-37.

[103] New York Times, April 4, 1951, 45.

Meanwhile, the intertie defense question had been turned over to the Defense Power Administration, which found the interconnection to be in the national interest on December 20, 1950. Therefore, on January 3, 1951 Secretary Chapman approved the line. A basis of agreement was established between the Bonneville Power Administration and the Bureau of Reclamation on January 16 and approved on January 18.[105] The Department of Interior then went to Congress for an appropriation of $6,000,000 to build a transmission line from Shasta Dam to Klamath Falls, Oregon, justifying it on the grounds of national defense. Chapman thereupon ordered the Bureau to begin "immediate steps for construction" of the interconnection, which he said had "been certified in the interests of national defense."[106]

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[104] Ibid.; Coleman, P.G. and E. of California, 330; report, "California Transmission Lines," File 110, Administration and Planning, Authorization and Policies, R.G. 115, W.N.R.C.; memorandum, Acting Commissioner, Bureau of Reclamation to Chapman, August 31, 1951, Miscellaneous Reading File, 1951-52, Chapman Papers, T.L.; Electrical World, April 9, 1951, 85. Some of the disadvantages for the Bureau contained in this wheeling agreement were corrected in another contract signed by both parties in October 1951. It provided for integration of Central Valley generating plants with those of Pacific Gas and Electric by spelling out in detail the amount of energy that had to be delivered for each kilowatt of capacity sold as firm by the private utility. See Electrical World, October 15, 1951, 12.

[105] Memorandum, Secretary of Interior to Commissioner, Bureau of Reclamation and Administrator, Bonneville Power Administration, January 17, 1951; letter, Assistant Secretary William E. Warne to Representative Clair Engle, January 19, 1951, File 3-10, Bonneville Project, Administrative, Part 3, R.G. 48, N.A.

Hearings were held in March on the Bureau's request for the tie line appropriation. Opposition came from both regions involved. Northwest opponents feared the loss of low cost power to California that would help that state build up industry. Governor Arthur B. Langlie of Washington and the Columbia Basin Commission, outspoken opponents of the plan, argued that if the excess power available during off-peak periods were offered to Northwest industry at a rate comparable to what it would bring in California, it would be used. And Langlie called the proposal "federal empire building."[107] In California, at least one organization (the State Chamber of Commerce) opposed the plan because interstate connection would make its aim of making the Central Valley project a state one more difficult to achieve.[108]

Assistant Secretary Warne presented the Department's case for the inter-tie to Congress. Explaining that the plan was sponsored not just by the Bureau of Reclamation or by California, as some had charged, but was being put forward jointly by the Bureau and the Bonneville Power Administration and urged by both the Federal Power Commission and the Defense Electric Power Administration, Warne based his appeal on an urgent defense request. He also argued that the benefits from the inter-tie would flow in both directions and pointed out that the line would allow the equivalent of continuous operation of one complete aluminum plant in the Northwest.[109]

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[106] House, Hearings on Interior Department Appropriations Bill for 1952, 82d Cong., 1st sess., 1346-47, 1358-59.

[107] Ibid., 1342-45; Electrical World, February 9, 1951, 6; New York Times, March 18, 1951, III, 1.

[108] House, Hearings on Interior Department Appropriations Bill for 1952, 82d Cong., 1st sess., 1343; New York Times, March 18, 1951, III, 1.

However, the Interior Department appeared again to be its own worst enemy. Just as its failure to communicate to Pacific Gas and Electric its specific objections to the company's counter proposals had hurt its chances for appropriations the year before and the announcement of the signing of the wheeling agreement was sure to damage chances for transmission lines funds requested for fiscal 1952, so were reports that were coming from the press sure to lessen the possibility of a favorable recommendation from the House committee on the tie line. Newspapers were reporting that Chapman had ordered that investigative and planning work on the inter-tie be carried out during the current fiscal year (1951).[110] Since the Appropriations Committee had stated categorically in its report the previous year that no funds should be used in fiscal 1951 for any work on the tie line, the Secretary could expect trouble if the press stories were substantiated.

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[109] House, Hearings on Interior Department Appropriations Bill for 1952, 82d Cong., 1st sess., 500-10.

Representative Henry M. Jackson (Democrat, Washington), chairman of the House committee in charge of investigating the interconnection item and normally a public power liberal, was obviously angry. Referring to a story of February 1 in the Wenatchee (Washington) Daily World of Regional Director Boke's announcement that he had received orders to proceed with design work, Jackson told the committee that Straus had stated as far back as the preceding fall that he intended to go ahead with plans for the inter-tie, despite the Congressional directive. "Why," demanded Jackson of Warne, "does the Bureau persist in defying a directive of the Congress?" Forcing Warne to admit that Interior had no authority to proceed with the inter-tie, the Congressman in effect accused the Department, and specifically the Bureau, of subterfuge when it included an item called "Shasta boundary terminal facilities" in the previous year's justification without making a full disclosure as to its intended meaning.[111]

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[110] Memorandum, Chapman to Goodrich W. Lineweaver, Acting Commissioner, Bureau of Reclamation, February 20, 1951, File 1-310, Administrative General, Power Development, Bonneville Project, Administrative, Part 3, R.G. 48, N.A.

On the same day that Warne was under fire before the subcommittee, Chapman asked the Acting Commissioner of the Bureau to inform him as to what funds had been spent, for what purpose and under whose authority.[112] The Bureau reported that $175,117 had been spent in fiscal 1951 on planning for the line and explained that, despite the statement in the committee report, the appropriation bill did contain an item for $400,413 "for development of project plans" in the Central Valley. The Bureau construed this to mean that surveys of marketing areas and transmission lines in California could be carried out as long as they related to the over-all Central Valley project.[113]

In its report to the House, the Appropriations Committee included the following statement:

> Despite the full assurances given by the Secretary, a violation of comity between the Interior Department and the Committee on Appropriations and the Congress has been committed by the Bureau of Reclamation. The committee hereby requests the Secretary to investigate all facts surrounding this situation and to report promptly his findings thereon.

As a means of compliance, Chapman turned the matter over to the Division of Budget and Finance for investigation.[114]

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[111] House, Hearings on Interior Department Appropriations Bill for 1952, 82d Cong., 1st sess., 513-15, 540.

[112] Memorandum, Chapman to Lineweaver, February 20, 1951, Miscellaneous Records, Reading File, 1950-51, Chapman Papers, T.L.

[113] Memorandum, Acting Commissioner to Chapman, February 27, 1951, File 1-310, Bonneville Project, Administrative, Part 4, R.G. 48, N.A.

Thus, the Department of Interior, especially through its Bureau of Reclamation, again found itself in the bad graces of the House Appropriations Committee. Straus responded by trying to shift the blame within the Department from himself to Chapman, while the Secretary adroitly avoided taking the responsibility. After the House committee presented its report and Chapman had put in motion the investigation, the Commissioner wrote him asking for "positive direction." Obliquely reminding his superior that he had been following his orders on the tie line, Straus suggested that Chapman might want to countermand his earlier instruction of January 17 that Straus and the Bonneville Power Administration "take immediate steps . . . to initiate construction of, and to complete as rapidly as possible" the interconnection. The Secretary cleverly replied that there was no reason to countermand the directive since it did not actually authorize the Bureau to "obligate any funds" for the tie line. Rather, pursuant to that January 17 memorandum, the Bureau and the Bonneville Power Administration had prepared a supplemental estimate to try to get funds to begin construction. "On the contrary," wrote Chapman, "I reaffirm the instructions and ask that you continue to support the Department's request for funds to initiate construction of the necessary facilities at the earliest possible time."[115]

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[114] Memorandum, Assistant Secretary Northrop to Chapman, April 20, 1951, Miscellaneous Papers, Reading File, 1950-51, Chapman Papers, T.L.

On June 12, 1951 Otis Beasley, Director of Budget and Finance, and Harry W. Rice, Finance Examiner of the same division, sent their report to the Secretary. It revealed that field survey work on the California-Oregon line had begun on July 31, 1950 on orders of Regional Director Boke and stopped on May 25, 1951, having obligated a total of $252,000. Thus, work had continued despite the February 28, 1950 order to cease by Chapman and despite the House committee report that no funds should be spent for any work on the proposed interconnection in fiscal 1951. Financial reports had been sent at the time to the Washington office of the Bureau showing these expenditures, but no action had been taken to stop them. Although Bureau representatives had testified at House and Senate hearings on the 1952 appropriations bill that such expenditures were part of an examination of marketing areas north of Shasta Dam and not necessarily related to the tie line, this investigation showed that the expenditures were directly related to the interconnection.[116]

Chapman then reported to the chairmen of the House and Senate Appropriations Committees on August 1, 1951 that the investigation revealed that the Bureau had spent money to conduct field surveys of the inter-tie "contrary to the directions of the Secretary of the Interior."[117]

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[115] Memorandum, Chapman to Straus, May 18, 1951, File 1-310, Administrative General, Power Development, Bonneville Project, Administrative, Part 3, R.G. 48, N.A.

[116] Memorandum, Beasley and Rice to Chapman, June 12, 1951, ibid.

The House had acted on the appropriations bill before the report was finished. While it allowed funds for three transmission lines in the Central Valley, it cut items for three other lines (in view of the wheeling agreement executed between the Government and Pacific Gas and Electric), eliminated the inter-tie and banned preliminary work of any kind on it and passed the Keating Amendment. This amendment specified that none of the money appropriated by the bill could be used by the Bureau for construction of transmission lines in areas where wheeling agreements with private utilities were in force that provided for service to Government preferred customers.[118]

In general, the House had savagely cut the entire public power program. Reducing Truman's request for the Interior Department by 11 per cent, a Democratic House exhibited even more hostility to public power than had the Eightieth Congress. Most surprising was the revolt by Congressmen from the Tennessee Valley Authority area who lined up 9-17 against public power with 10 not voting or absent. This action by the House toward the Administration's public power program symbolized the break-up of the

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[117] Letters, Chapman to Representative Michael Kirwan and Senator Carl Hayden, August 1, 1951, Miscellaneous Papers, Reading File, 1951, Chapman Papers, T.L.

[118] Senate, Hearings on Interior Department Appropriations Bill for 1952, 82d Cong., 1st sess., 516-17; Congressional Quarterly, VII (1951), Part 1, 121-22, 516.

Democratic Party's Congressional strength and reflected to some extent the political trend toward the right that had occurred in the 1950 elections. The American Federation of Labor and Congress of Industrial Organizations voted against public power for the first time, and some Congressmen voted against it because public power meant loss of city and state taxes in local areas.[119]

Truman reacted positively. Charging that the bill as passed by the House would cripple the public power program, which was badly needed for defense, the President wrote Senator Hayden, Chairman of the Appropriations Committee, urging that the Senate restore the transmission lines and the inter-tie items and eliminate the Keating Admendment. Not to do so would "restrict the operation of Federal hydro-electric power projects for the national defense and in the public interest" and would drastically alter the government's basic power policies by removing its authority to "ensure widespread benefits from Federal power at low cost" since wheeling agreements generally "do not guarantee the delivery of power to preference customers." The inter-tie, he insisted, was "a good, fast way to increase the nation's power supply."[120]

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[119] The Charlotte Observer, May 10, 1951, 20-21; Electrical World, November 20, 1950, 96.

[120] "Letter to Senator Hayden on the Effect of Certain House Amendments on Hydroelectric Power Policy," June 11, 1951, Public Papers: Truman, 1951, 326, 328.

Senator Hayden informed the President, through Secretary Chapman, that he was optimistic about obtaining the results Truman desired. However, he was not entirely successful. The Senate did soften some of the House blows to public power. It weakened the Keating Amendment by allowing the Bureau of Reclamation to construct lines when funds had already been appropriated for them, when they had already been agreed to in contracts or where private companies were "unable or unwilling" to execute wheeling agreements. However, it stood squarely behind the House action with regard to the inter-tie and was even more ruthless in cutting requests for Central Valley transmission lines.[121]

As the bill emerged from conference, only one transmission line--the one to connect the Folsom Dam power plant to the east side Shasta-Tracy line--remained. Regarding the Central Valley-Bonneville interconnection, the conference report stated:

> The managers on the part of both Houses strongly reaffirm the language contained in the House Committee report . . . . with reference to prohibiting the proposed interconnection. . . . Reports have been received that work on the proposed intertie has continued despite the categoric denial of funds in the reports issued by the Appropriations Committees of both the House and the Senate this year and approved by both Houses of Congress, and a similar categoric injunction last year approved by both Houses of Congress denying the use of funds for this proposal.

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[121] Letter, Chapman to Truman, June 26, 1951, Reading File, Chapman Papers, T.L.; Public Utilities Fortnightly, August 2, 1951, 168-69; Congressional Quarterly, VII (1951), 122-24.

> The Conferees hereby request the Secretary of the Interior to submit immediately a full and complete report including disciplinary action taken by him in this case.[122]

The final bill was signed into law on September 6.

At this time, the Bureau stood ready to ask for funds for the interconnection in the next session of Congress, but Bonneville Power Administrator Paul Raver advised caution.[123] However, circumstances were soon to change Raver's attitude. Just at this time the severe water shortage and hence power shortage occurred in the Northwest, forcing Bonneville to withdraw power from aluminum and electro-process industries and causing Defense mobilization chief Charles Wilson to direct all major aluminum producers to plan to move out if the situation did not improve immediately. It was against this background that Dr. Raver requested the Bureau to issue a strong statement regarding the necessity of the inter-tie as a means of alleviating such a shortage in the future. But Straus evidently had not recovered from the criticism levelled against him during his last experience with this issue. He refused, replying that "the Department and Congress have made this tie line question one of personal handling by the Secretary."[124]

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[122] Conference Report 888 on H.R. 3790, Appropriations Bill for 1952 in Congressional Record, 82d Cong., 1st sess., 1951, XCVII, 10205.

[123] Memorandum, Administrator, Bonneville Power Administration, to Assistant Secretary Warne, August 24, 1951, File 1-310, Administrative General, Power Development, Bonneville Project, Administrative, Part 4, R.G. 48, N.A.

In his budget message to Congress on January 1, 1952, President Truman included a general request for transmission lines for the Bonneville, Southwestern and Southeastern Power Administrations, the Tennessee Valley Authority and the Bureau of Reclamation. The Bureau's request for fiscal 1953 contained items for transmission lines in the Central Valley and a switchyard at Tracy, as well as for beginning the Bonneville-Shasta tie line. Although these requests for the Central Valley did not fare as badly in the House as did the entire Department budget, which was cut about 25 per cent, the Representatives did eliminate funds for one transmission line and for the inter-tie and included the Keating Amendment in its bill.[125]

When the bill came before the Senate Appropriations subcommittee, James Black asked its members to follow the House's lead, stating that his company had hoped that the wheeling contract would persuade the Bureau to stop making requests for "unnecessary transmission facilities."[126] Chapman asked the committee to restore the items for the transmission lines and to eliminate the Keating Amendment on the grounds that if the Government were required to use a wheeling agreement as the only means of disposing of its power to preference customers, the result could be future uneconomical practices. In the final bill, $581,000 was approved for the Tracy-Contra Costa line and switchyard, but the Keating Amendment remained in force.[127]

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[124] Memorandum, Straus to Chapman, September 26, *ibid.*; *New York Times*, September 19, 1951, 44, September 23, 1951, 78.

[125] "Annual Budget Message to the Congress, Fiscal Year, 1953," *Public Papers: Truman, 1952-53*, 89; *Congressional Quarterly*, VIII (1952), 106-07; U.S. Congress, Senate, *Interior Department Appropriations for 1953, Hearings before a Subcommittee of the Committee on Appropriations*, 82d Cong., 2d sess. (Washington, D.C., 1952), 448-543; news clipping, *Sacramento Bee*, March 3, 1952, Regional Folder, Kenneth Hechler Files, Truman Papers, T.L.; U.S. Congress, House of Representatives, *Interior Department Appropriations Bill for 1953, Hearings before a Subcommittee of the Committee on Appropriations*, 82d Cong., 2d sess. (Washington, D.C., 1952), 861.

The Interior Department had decided not to press for the California-Oregon interconnection. The Secretary told the Senate subcommittee that he would put this off until another time. Realizing how politically infeasible the project was despite its justification by reason of defense and the recommendation by the Defense Electric Power Administration that it be built, the Department decided to wait for the results of a study of the inter-tie by the Federal Power Commission as requested by the Defense Electric Power Administration "to determine the contribution such an interconnection could make to the national defense." Chapman believed that a favorable report by the Commission might favorably influence the

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[126] Senate, Hearings on Interior Department Appropriations Bill for 1953, 82d Cong., 2d sess., 448; New York Times, April 29, 1952, 43.

[127] Senate, Hearings on Interior Department Appropriations Bill for 1953, 82d Cong., 2d sess., 14-15; Public Law, 470, Statutes at Large, LXVII (1953), 451; Senate, Appropriations, Budget Estimates, Etc., 82d Cong. 2d sess., 148.

House Committee on Appropriations which had stated in its report for 1952 that it would not be convinced of the need for the project until a thorough study was made of the possible effects on the economies of both California and the Northwest.[128]

In its report on the Interior Department Appropriation Bill for 1953, the House Committee on Appropriations made a similar statement regarding the need for a study before a decision on the tie line could be made and the conference report reaffirmed it.[129]

VII

As the Truman Administration came to a close, not only was the tie-line question left in the air, but there was a possibility that the Federal Power Commission would recommend connection of the two systems through the Pacific Gas and Electric Company's hydro-electric site on the Pit River.[130] Some funds for transmission lines in the Central

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[128] Letters, James Fairman, Administrator, Defense Electric Power Administration, to Thomas Buchanan, Chairman, Federal Power Commission, May 9, 1952 and Buchanan to Fairman, July 30, 1952, File 1-310, Administrative General, Bonneville Project, Administrative, Part 5, R.G. 48, N.A.; Electrical World, April 28, 1952, 10.

[129] Memorandum, Assistant Administrative Secretary Beasley to the Under Secretary of Interior, October 17, 1952, File 1-310, Administrative General, Bonneville Project, Administrative, Part 5, R.G. 48, N.A.; Congressional Record, 82d Cong., 2d sess., 1952, XCVIII, 9191.

[130] Memorandum, Straus to Chapman, November 4, 1952, File 1-310, Administrative General, Bonneville Project, Administrative, Part 5, R.G. 48, N.A.

Valley had been granted, and some lines had been completed, but Congress' reluctance to approve such requests led the Interior Department to compromise on the wheeling agreement with Pacific Gas and Electric, which placed Government preference customers at the mercy of the private utility.

The right of the Government to build steam generating plants was not definitively established during this period. James Black and other representatives of the Pacific Gas and Electric Company managed to convince Congress every year that the proposed Delta steam plant for the Central Valley was unconstitutional and/or unnecessary, and it took the more liberal, Democratic Eighty-First Congress to finally approve the long-proposed Tennessee Valley Authority steam plant at New Johnsonville. Although appropriation requests for steam plants justified on the grounds of national defense for the Tennessee Valley Authority met with little opposition from Congress, not even a power shortage or a war time national emergency could convince the lawmakers that the Government should build steam plants in the Northwest.

On balance, concerning these issues of steam plants in the Tennessee Valley, the Northwest and the Central Valley, of transmission lines in the Central Valley and of the Bonneville-Shasta tie line, it would appear that private power had come out ahead in this aspect of its struggle with public power. However, this did not occur because

Administration officials failed to act. President Truman showed some decisiveness in dealing with these matters. He pushed for funds for the Tennessee Valley Authority steam plants, basing their urgency on national defense needs and asked that Congress approve them for the Northwest, as well. He urged passage of the inter-tie and transmission lines in the Central Valley and elimination of the Keating Amendment. His officials Chapman, Warne, Straus and McPhail worked unfailingly to convince Congress to appropriate funds for these items. When Congress proved hesitant or unwilling to grant such funds unless Interior tried to execute wheeling agreements, Secretary Chapman remained firm in his commitment to preference and other government power policy principles in his negotiations with Pacific Gas and Electric Company during 1949 and 1950.

Despite such vigorous efforts, Interior officials made some serious errors in judgement. It was this, rather than agencies and individuals within the Government working at cross purposes as in the controversy over river basin organizational machinery, that contributed to the Administrator's lack of victory in these areas. Interior's failure to inform Pacific Gas and Electric Company of its seven objections to the counter proposals before giving them out to the press and to Congress, for instance, was a serious mistake, even though the private utility's proposal was obviously incompatible with Government power policy and law. Furthermore, Straus's initiating survey work on the tie-line, despite a contrary directive from Congress, the Washington Bureau's failure to stop it and Chapman's ambiguous directive to Straus in January 1951 regarding the start of work on the interconnection were all inexcusable errors. The Secretary was well aware of the Commissioner's tendency to "get out of line"; therefore, he should have kept a closer watch on him if he wanted to conform with the wishes of Congress. However, his January 17 instructions cast doubt as to whether that really was the case.

Another factor which contributed to the Administration's lack of success in this matter was the break up of its party strength in Congress, particularly after the 1950 elections. The opposition party made gains in these elections, increasing their membership from 42 to 47 in the Senate and from 171 to 199 in the House. In addition, more Democrats were elected who were termed conservative by liberal Democrats and who would more often team up with Republicans to block Presidential programs. Although the Democrats retained nominal control of both Houses, only about 37 of the 49 in the Senate could be counted on to vote for Fair Deal measures. Even when combined with about 5 Republicans who normally voted for Fair Deal measures, the total of 42 represented a minority. In the House, about 184 Republicans and about 49 Democrats could be expected to vote against Fair Deal programs for a winning 233 as contrasted with about 157 Republicans and

50 Democrats in the outgoing House which equalled a minority of 217. (House majority vote to win was 218.)[131]

The desertion of certain segments of organized labor from the ranks of public power supporters was another important factor. This defection occurred despite the fact that organized labor had been a strong supporter of the Democratic Party since the New Deal and the fact that the Truman Administration in general aided its cause.[132] Two of the chief opponents were the International Brotherhood of Electrical Workers (American Federation of Labor) and the Utility Workers Union of America (Congress of Industrial Organizations). They were joined at times by officials of state federations of labor and central labor unions and the International Association of Machinists (American Federation of Labor).[133] The reason for the split could be explained in bread and butter terms rather than ideological ones. With the exception of Bonneville, Grand Coulee and the Tennessee Valley Authority, the labor force working on Federal public power agency installations had "almost no union organization, low wages and inferior working conditions," as contrasted with the good wage scales and working conditions provided by privately owned utilities, which were nearly 90 per cent union organized.[134]

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[131] New York Times, November 8, 1950, 6, November 10, 1950, 26; George H. Mayer, The Republican Party, 1854-1964 (New York, 1964), 479-80; David B. Truman, The Congressional Party, a Case Study (New York, 1951), 50-63, 147-67.

[132] Bernstein, "Economic Policies," 128-29.

[133] Memorandum, Assistant Secretary Warne to the Secretary of Interior, Miscellaneous Records, Reading File, Chapman Papers, T.L.

Although the Administration could claim only minor success in its efforts to secure funds for these steam plants, transmission lines and the inter-tie, in one area it could chalk up a definite victory. It succeeded in securing from Congress an appropriation creating the Southeastern Power Administration. However, it, as well as the other most recently established power agency, the Southwestern Power Administration, were in for more and even tougher battles with private power.

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[134] Memorandum, A. J. Biemiller to the Secretary of Interior, September 7, 1951, File 1-310, Administrative General, Power Development, Part 13, R.G. 48, N.A.

CHAPTER V

TRANSMISSION LINES AND "SUPER-COOPERATIVES" IN THE SOUTHWEST AND THE SOUTHEAST

In addition to the Central Valley of California, the Southwest and the Southeast were the areas where the issues of transmission facilities and wheeling agreements assumed major importance in the debate over public versus private power during Truman's second Administration. Another point of dispute in these regions concerned the so-called "super-cooperatives," which were composed of distribution cooperatives that banded together to secure loans from the Rural Electrification Administration for building steam plants and transmission lines. Private power viewed these loans as another effort by Government to put them out of business. Furthermore, when these federated cooperatives announced plans to lease such loans to one of the Interior Department's power marketing agencies, the threat, according to private power advocates, was compounded.

The comprehensive plan for power distribution and sales from Federal hydro-electric projects issued by the Southwestern Power Administration shortly after its creation in 1945 included a proposal to build transmission lines and substations costing $125,000,000 and a steam plant costing $77,000,000. In 1946 the Administration asked Congress for an appropriation of $23,000,000 to begin effecting this plan, which had as its main purpose the interconnection of the various Federal hydro-electric projects in the area. While a subcommittee of the House Appropriations Committee was holding hearings on these budget requests and on the very day and hour that the Southwestern Power Administration was scheduled to appear on behalf of them, eleven private utility companies released to the press an offer to buy all of the electric power generated at the Denison, Norfolk and Pensacola projects. The timing and publicizing of this proposal were moves obviously intended to influence Congress, as Secretary Krug and Administrator Douglas Wright charged. At any rate, Congress acted in favor of the companies, cutting the request to $7,500,000 for construction and refusing a steam plant.[1]

The response by the Interior Department to what it saw as an effort by private power to undermine the power policies as set forth in the Flood Control Act of 1944 and related legislation was immediate and positive. On March 7, Acting Secretary Chapman asked the Attorney General of the United States to determine whether any anti-trust laws had been violated by these private utilities in combining for what seemed to him the purpose of gaining control of all electric power sources in the central southwest region. By controlling all outlets from the dams, the private companies could control the market.[2] The next day, Wright informed the utilities that their offer was unacceptable. Later, the Attorney General advised the Secretary that only an attempt to monopolize was involved, and since Interior had rejected the companies' offer, the case was weakened.[3] Hence, the idea of an anti-trust suit was not pursued.

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[1] Report, "Chronological Highlights of S.W.P.A.," File 1-310, Administrative General, Power Development, Southwestern, Part 7, R.G. 48, N.A.

In early 1947, the Southwestern Power Administration, with the funds appropriated by Congress, let contracts for the building of a transmission line to connect the Denison and Norfolk projects. Realizing that it was not going to be allowed to buy power at the bus bar, Texas Power and Light Company in April negotiated a contract with the Interior Department providing for delivery to the company of 70,000,000 kilowatt hours of primary energy and an average of 63,500,000 kilowatt hours of secondary energy yearly. The utility agreed to allow the Government to withdraw up to 20,000 kilowatts from its transmission lines for Rural Electrification cooperatives and Federal government purchasers. The power agency would buy this energy at a slightly higher rate than it would charge for it. Service to other preferred customers would have to be made over the Government's own lines. For firming up these loads, the company would charge the Government its lowest prevailing rates.[4]

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[2] Letter, Chapman to Tom Clark, March 7, 1946, ibid.

[3] Letter, Clark to Krug, October 23, 1946, ibid.

The other private power companies in the Southwest were horrified at the terms of the contract and vowed never to negotiate on such a basis. The president of Southwestern Gas and Electric Company told the Senate Appropriations Committee,

> Personally, I would feel that I was almost criminally to blame should I make such a contract with Southwestern Power Administration for the Southwestern Gas and Electric Company.[5]

Taking the offensive, representatives of the private power companies in testimony before Congress over the next two years vigorously opposed Southwestern Power Administration requests not only for further transmission lines and related facilities but for operation and maintenance as well. They were successful; Congress appropriated no funds for construction in either year. In 1947, only $125,000 was approved for operation and maintenance, and Southwestern Power Administration had to cut its staff in half. In 1948, when Congress granted the agency funds for only eight months of existence, it looked as though the companies had succeeded in their attempt to emasculate if not destroy their enemy.[6]

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[4] Report, "Chronological Highlights of S.W.P.A.," ibid.

[5] Senate, Hearings on Department of the Interior Appropriations Bill for 1949, 80th Cong., 2d sess., 1434, 1436.

However, the November elections saved the power agency. Most candidates for the Congress in the area who opposed the Southwestern Power Administration were defeated. Furthermore, pressure began to come from various quarters for the President to include in his budget for 1950, funds for Southwestern not only to remain in existence but also to build transmission lines. One group that agitated in behalf of the power marketing agency was the rural electric cooperatives, who feared that the private power companies would come between them and the Federal government for whom they were preference customers. Following the election, they went to the Southwestern Power Administration and demanded that Interior ask Congress for funds to build transmission facilities to reach them. Clyde Ellis, Executive Secretary of the National Rural Electric Cooperative Association, wrote Representative A. S. Monroney (Democrat, Oklahoma) that the Power Administration must be granted a deficiency appropriation or it would go out of business in February 1949 and added that it must be granted permanent status in law. "Rural people everywhere in the area," he wrote, "are feeling the pinch."[7]

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[6] U.S. Congress, House of Representatives, Interior Department Appropriations Bill for 1948, Hearings before a Subcommittee of the Committee on Appropriations, 80th Cong., 1st sess., Part 2 (Washington, D.C., 1947), 414; Senate, Hearings on Interior Department Appropriations Bill for 1948, 80th Cong., 1st sess., Part 2, 298; U.S. Congress, House of Representatives, Interior Department Appropriations Bill for 1949, Hearings before a Subcommittee of the Committee on Appropriations, 80th Cong., 2d sess., Part 3 (Washington, D.C., 1948), 400; Senate, Hearings on Interior Department Appropriations Bill for 1949, 80th Cong., 2d sess., 1418.

Cooperatives that had or wanted to build their own transmission and generating facilities also approached Southwestern Power to examine the possibilities of integrating their plants and lines with the agency's in the event they could obtain loans for construction from the Rural Electrification Administration. Southwestern liked the idea. Therefore, the agency included items in its budget to build transmission lines to these "generating and transmission cooperatives" and to investigate the possibility of leasing their facilities and buying power from them.[8]

Political figures also pressured Truman to help the weakened agency. Governor Robert Kerr of Oklahoma, Democratic leader of the House Sam Rayburn of Texas and Representative Carl Albert of Oklahoma were among those who urged the President late in 1948 to do everything possible to help Southwestern Power get funds for transmission lines and for operation and maintenance.[9]

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[7] Letter, Ellis to Monroney, November 10, 1948, Office Files of Claude Wickard, Records of the Rural Electrification Administration, R.G. 221, N.A.; report, "Chronological Highlights of S.W.P.A.," File 1-310, Administrative General, Power Development, Southwestern, Part 7, R.G. 48, N.A.

[8] Report, "Chronological Highlights of S.W.P.A.," File 1-310, Administrative General, Power Development, Southwestern, Part 7, R.G. 48, N.A.

[9] Letters, Rayburn to Truman, November 12, 1948, Albert to Truman, Kerr to Truman, September 24, 1948, O.F. 6-LL, Southwestern Power Administration, Truman Papers, T.L.

Shortly after the election the private companies became more conciliatory. They renewed attempts, which they had made sporadically since 1946, to negotiate a contract with the Government. Calling it their best and last offer, eleven companies submitted a proposal on December 30, 1948. The Department of Interior, however, through the Southwestern Power Administration, rejected the offer on January 25, 1949 for the following reasons: (1) it did not give preference to public bodies and cooperatives as the Government was directed to do by law; (2) it did not encourage the most widespread use at the lowest possible cost consistent with sound business principles as the Government was required to do under the statutes; (3) it did not assure the Government payment for electrical energy sufficient to meet costs (the Government was not authorized by law to sell power under cost); (4) it would restrain trade and encourage monopoly; (5) its benefits would go to the companies rather than to all the people of the area as Congress intended.[10]

Before the House Subcommittee on Interior Appropriations Secretary Julius Krug, Southwestern Power Administrator Douglas Wright and Representative Monroney (Democrat, Oklahoma) offered convincing arguments for approval of Southwestern's request for $31,000,000 for construction and against execution of a contract on the basis of the companies' last offer. Krug stated that "after about three years of negotiation, it has become crystal clear that we will never get a proposal from the power companies that will protect the preferred customers."[11] Wright reported that Rural Electrification Administration cooperative representatives from the six states in the area had demanded "that the rights extended to them under the law as preference customers be carried out."[12] Stating that the issue was whether Congress was going to go back to the old "bus bar philosophy" or allow the Government to make its power available at a reasonable cost to public agencies and cooperatives, Monroney argued that since millions had been invested in Government dams in the area and in the Rural Electrification Administration cooperatives, the two should be linked to allow farmers to profit from this development. If this were not done, he continued, "much of the public good that should flow from these investments" would be lost.[13]

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[10] House, Hear[illegible] on Interior Department Appropriations Bill for 1950, [illegible]t Cong., 1st sess., Part 2, 18-21.

The Committee was convinced. It recommended, and the House approved, the entire amount asked for construction and allowed $4,000,000 in cash and $5,000,000 in contract authority. At this point, the eleven companies reversed themselves, and, before the Senate Committee, offered to sign a contract of the type agreed to by the

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[11] Ibid., Part 1, 33.

[12] Ibid., Part 1, 25.

[13] Ibid., Part 2, 554-55.

Texas Power and Light Company. The president of Southwestern Gas and Electric Company admitted under questioning by Senators on the Committee that the private utilities had decided to make this offer after the House approved the funds for Southwestern.[14]

Although this was the first time that the companies had made such an offer and although this type of contract was considered generally favorable to the Government, the National Rural Electric Cooperative Association did not approve. Its Executive Secretary, Clyde Ellis, charged that "these power companies are out to kill us." He warned that even a "Texas" contract would endanger the rest of the Southwest area because the other states had regulatory commissions usually dominated by private power interests that could alter the terms of the contract at any time. Furthermore, he said, the Texas type contracts discriminated against municipalities.[15]

Congressional supporters of the Southwestern request for funds argued before the Senate Appropriations Committee and in the debate on the Senate floor that the money should be granted in order to place the power agency in a good bargaining position for executing contracts with the companies. However, the Senate Appropriations Committee approved only three of the forty-four projects okayed by the House. Furthermore, it directed the Power Administration to try to negotiate agreements with the companies similar to the Texas Power and Light contract and report back by January 1, 1950.[16]

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[14] Congressional Quarterly, V (1949), 210; report, "Chronological Highlights of S.W.P.A.," File 1-310, Administrative General, Power Development, Southwestern, Part 7, R.G. 48, N.A.; Senate, Hearings on Interior Department Appropriations Bill for 1950, Part 1, 1366-67.

[15] Senate, Hearings on Interior Department Appropriations Bill for 1950, Part 1, 1566-67.

The appropriation request survived the Senate, but only after a bitter floor fight. Furthermore, the Conference Committee refused to adopt the committee's language that directed the Government to report to it regarding progress on wheeling contracts in Southwestern's area.[17]

After the bill was passed on October 7, Senator Hayden told the Upper House that the President on that day had assured him that it would "continue to be the policy of his Administration to encourage cooperation between Government agencies and private utilities to obtain the greatest possible benefits from electric power obtained from both sources." Hayden himself promised his fellow Senators that when the Interior Department came before his subcommittee in 1950 asking for appropriations for transmission lines, he would "make diligent inquiry as to how the . . . policy . . . is being carried out."[18]

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[16] Senate, Report No. 661, July 13, 1949, 4; Congressional Quarterly, V (1949), 211-12; report, "Chronological Highlights of S.W.P.A.," File 1-310, Administrative General, Power Development, Southwestern, Part 7, R.G. 48, N.A.

[17] Congressional Quarterly, V (1949), 213.

[18] Congressional Record, 81st Cong., 1st sess., 1949, XCV, 14389.

Although the President's assurances to Hayden may have appeared to some liberals to be a "go-soft" policy toward private power, the Interior Department was far from ready to give up any public power principles or allow any laws to be thwarted. Moreover, it was determined to fight any policy-making by the Congress that would require power agencies to enter into contracts harmful to those principles. Secretary Krug stated his reasons in a letter to Senator Elmer Thomas (Democrat, Oklahoma), a member of the Interior Subcommittee of the Committee on Appropriations:

> The record is clear that there are major differences between many of the privately owned electric utilities of the country and the power agencies of the Federal Government concerning the basic policies of the Congress affecting the disposition of power from federal projects. Many of these companies feel that these policies should be modified. They have done everything possible to force the power agencies of the Government to enter into agreements which would, in effect, nullify those policies. They have flatly refused offers in behalf of the Government which would have permitted the achievement of economies in the joint use of facilities as well as the effective accomplishment of the policy objectives of the Congress.[19]

After passage of the 1950 Appropriations bill, Southwestern Power proceeded along two fronts. It continued negotiations with the generating and transmission cooperatives, concluding contracts with five of them between November 23, 1949 and January 9, 1950.[20] Secondly, it resumed talks with the private companies. Beginning with the Oklahoma Gas and Electric Company and the Public Service Company of Oklahoma, Wright aimed to execute contracts that could be used as a model for agreements with other companies in the Southwest. On December 22, 1949 he submitted a draft of a proposed wheeling contract with these two companies for the Secretary's approval.[21]

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[19] Letter, November 17, 1949, File 1-310, Administrative General, Power Development, Southwestern, Part 7, R.G. 48, N.A.

However, a protective provision in the draft, which in certain cases would in effect have granted a subsidy to the companies was unanimously rejected by the other power agencies in the Department, the Bureau of Reclamation and the Secretary of the Interior himself. Secretary Chapman so advised Wright on April 3, 1950 and at the same time suggested language that would eliminate these provisions which he said were contrary to the law and established power policy.[22]

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[20] Memorandum, Administrator, Southwestern Power Administration to Chapman, February 2, 1950, ibid., Part 6. Under these agreements certain transmission facilities were leased to the Southwestern Power Administration so that it could deliver electric power to the load centers of the member cooperatives as called for in power exchange contracts between the two parties. Southwestern was granted the option of buying the lines if it paid the amount of the Rural Electrification Administration loan. The generating facilities were not leased nor was an option to buy them given the Power Administration. The federated cooperatives merely sold the output from such plants to Southwestern, which in turn could better supply the member cooperatives because its hydro-electric power was firmed up. See Annual Report of the Department of Agriculture, Administrator of the Rural Electrification Administration, 1950 (Washington, D.C., 1951), 20.

[21] Memorandum, Walton Seymour, Director, Division of Power, to Chapman, February 21, 1950, File 1-310, Administrative General, Power Development, Southwestern, Part 6, R.G. 48, N.A.

Wright, however, defended the proposed contract before a meeting of Rural Electrification Administration cooperatives in Missouri even after he had received the letter from his superior. In an effort to reassure his audience regarding the possible effects of such an agreement on them, the Administrator said, "We have won this game. We have won in the Southwest." Then reminding his listeners that Congress had granted Southwestern money the previous year to build transmission lines, but with the expectation that it would try to make contracts wherever possible, Wright evoked the name of the "father of public power":

> I am in this business--because I believe in what we are trying to do. Because sixteen years ago I sat on a sand hill in Nebraska with the greatest man who ever used the word "power"--Senator George Norris--and I got religion.

However, the Administrator revealed more about his true attitude regarding the public versus private power controversy when he commented that he had always said the answer was "both public and private power."[23]

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[22] Memoranda, Ben Creim to Seymour, February 10, 1950, Paul Raver to Seymour, February 1, 1950, ibid.; letter, Chapman to Wright, April 3, 1950, Reading File, Chapman Papers, T.L.

[23] Speech, Douglas Wright at Annual Meeting of the Missouri State Rural Electrification Administration, Jefferson City, Missouri, February 9, 1950, File 1-310, Administrative General, Power Development, Southwestern, Part 6, R.G. 48, N.A.

Urging that it be accepted, the private companies used this proposed contract as an argument before Congress for cutting Southwestern Power's appropriation requests for fiscal 1951. A special target was the power agency's continuing fund, established by Congress in 1949. Because this money could be used for "the purchase of power and energy," private power feared it would facilitate contracts between Southwestern and the generating and transmission cooperatives. Therefore, representatives of sixteen private utilities in the Southwest testified before the appropriations committees of both Houses against such a grant of funds.[24]

Douglas Wright praised his own work on the draft agreement before the House subcommittee, saying the terms were "about three times as good" as the Texas Power and Light Company contract.[25] When asked about the action Secretary Chapman might take, the Administrator commented, "If he disapproves it the thing has to be ended as far as I am concerned if I continue to work for the Department. If I do not I can quit and do what I please."[26]

As expected, Clyde Ellis disapproved of the proposed contracts, but he surprised everyone when he revealed the terms which the two parties had agreed to keep secret until Chapman acted.[27]

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[24] Congressional Quarterly, VI (1950), 115; New York Times, January 22, 1950, III, 1; report, "Chronological Highlights of S.W.P.A.," File 1-310, Administrative General, Power Development, Southwestern, Part 7, R.G. 48, N.A.

[25] Electrical World, January 30, 1950, 95.

[26] House, Hearings on Interior Department Appropriations Bill for 1951, 81st Cong., 2d sess., 96.

The House approved the budget estimate for contract and cash authority for Southwestern Power construction, but not until Speaker Rayburn in a rare floor speech assured his colleagues that the $6,000,000 item would be returned to the Treasury if the Government agency signed wheeling contracts with the two Oklahoma private companies. Rayburn defended the contracts and charged that a man who claimed to represent the cooperatives of the country (an obvious reference to Clyde Ellis) had been "stirring up trouble" between the Power Administration and the rural cooperatives.[28]

While the Interior Subcommittee of the Senate Appropriations Committee was considering these budget requests for the Southwestern Power Administration, negotiations for a contract between the Government and the two Oklahoma companies were resumed. Despite the fact that the House committee had declared that it wanted some action on these contracts, Chapman was determined not to be rushed into anything. On April 7, the companies rejected the revised draft that Chapman had directed Wright to present. The Secretary then suggested that the Administrator try to work out a straight interchange and wheeling agreement. However, of another draft submitted to him in June, Chapman informed Wright that its terms were "far more objectionable" than the earlier proposal. Among the reasons Chapman gave were that it failed to meet the objections he had to the principle of subsidy in the first drafts and that it would "freeze the status of customers as of the date of the contract."[29] The Secretary, then rebuked the Administrator for not having followed his instructions. At the same time, he kept Congress informed by writing to Senators Kefauver, Hayden and Hill and Representatives Rayburn and Kirwan.[30]

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[27] Electrical World, March 6, 1950, 6.

[28] Tulsa World, May 4, 1950, 33; Public Utilities Fortnightly, May 25, 1950, 688-89.

Expressing surprise and "deep and genuine regret" at Chapman's response, the Administrator asked permission to arrange further talks between the Government and the companies.[31] Chapman consented, turning the negotiations over to his Administrative Assistant Secretary, Vernon D. Northrop.[32]

Details concerning these negotiations were kept secret. However, on June 14 a syndicated columnist, Doris Fleeson, broke the news that Chapman had rejected the "Wright contracts." The pro-private power Public Utilities Fortnightly told its readers that these contracts which Chapman refused to sign because of an "alleged 'service charge' by the company for carrying the power" were the same ones on which Wright said he would stand or fall and the same ones Speaker Rayburn had defended before the House in his successful plea for Southwestern Power Administration construction funds. According to this journal, some observers were charging that the Secretary did not want to sign any contract; therefore, it was impossible for a company to come up with terms to which he would agree.[33]

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[29] Letters, Chapman to Wright, April 24, 1950, Chapman to Wright, June 13, 1950, File 1-310, Administrative General, Power Development, Southwestern, Part 8, R.G. 48, N.A.; letter, Chapman to Wright, April 24, 1950, Reading File, Chapman Papers, T.L.

[30] Identical letters, June 13, 1950, Reading File, Chapman Papers, T.L.

[31] Letter, Wright to Chapman, June 14, 1950, ibid.

[32] Memoranda, Chapman to Northrop, June 15, 1950, Northrop to Chapman, June 28, 1950, File 1-310, Administrative General, Power Development, Southwestern, Part 8, R.G. 48, N.A.

This opinion was proved erroneous on July 13 when Secretary Chapman announced the signing of the contracts between Southwestern Power Administration and the two companies--Public Service Company of Oklahoma and the Oklahoma Gas and Electric Company. Furthermore, he stated that the proposed transmission lines would now be unecessary. The agreement provided for integration of the three electric power systems for a period of twenty years and for joint examination of rates every three years with the proviso that if the Government and the companies could not agree, the contract would automatically terminate at the end of the current three-year period. Chapman was satisfied that this contract eliminated "provisions which would restrict distribution of public power to preference customers or provide a subsidy to the utility companies as a result of such electric service to public bodies or cooperatives."[34]

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[33] Issue of July 6, 1950, 29.

Southwestern Congressmen, private utility companies and the Southwestern Power Administration appeared elated with the development. Both candidates for the Democratic nomination for the United States Senate from Oklahoma praised the agreement. Incumbent Senator Elmer Thomas said it would "set a new public power policy between the government and utilities," and Representative Monroney called it the "most favorable contract ever written between public power and private companies."[35]

Richard K. Lane, President of Public Service Company of Oklahoma, said, "This is a day which will be remembered as the beginning of profitable cooperation between public power projects and private industry."[36] And Donald S. Kennedy, President of Oklahoma Gas and Electric Company, commented that he was sure that combined government and private power would "become a most important contribution to the industrial growth and general prosperity of the state."[37]

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[34] Letter, Chapman to Representative Clarence Cannon, July 11, 1950, press release, Southwestern Power Administration, July 13, 1950, File 1-310, Administrative General, Power Development, Southwestern, Part 8, R.G. 48, N.A.

[35] Arkansas Gazette, July 14, 1950, 2; The Daily Oklahoman, July 14, 1950, 6.

[36] Tulsa Daily World, July 14, 1950, 1.

Douglas Wright described the contract as a pattern for cooperation between the Government and the electric companies in the Southwest area and predicted that his power agency would save $6,000,000 during the current year and $850,000 per year thereafter.[38]

It appeared that a new era of cooperation between public and private power had dawned in the Southwest. Liberals, however, were not so sure. They realized that these contracts represented a compromise and the best that could be obtained given the pressure from Congress. The National Rural Electric Cooperative Association saw early in the negotiations that Government-owned transmission lines were much to be preferred over even the best possible wheeling contract with private companies. Its spokesman, Clyde Ellis, argued that no such arrangement would be permanent. In this case, the contract specified twenty years, but, the Association asked, what would happen at the end of that period? A President and Congress unfriendly to public power might encourage the companies to give immediate notice of termination and leave the cooperatives to die. Furthermore, the contracts would make it impossible or difficult to get Southwestern Power to outlying areas since Congress would not appropriate funds for a line to carry power through one area to serve another.[39]

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[37] The Daily Oklahoman, July 14, 1950, 1.

[38] Tulsa Daily World, July 14, 1950, 1.

Nor were the most avid public power men in the Interior Department sure of what effect the contract would have on the principles and policies they were so anxious to uphold. Chapman, when informing Representative Cannon that the contract had been signed, remarked, "Experience alone will tell how well this type of contract can serve" the public interest.[40] Assistant Secretary William E. Warne also saw the possible dangers. Some of them were presented in an editorial that appeared in the journal Public Power, a copy of which Warne sent to the Secretary:

> No sooner was the ink dry on the two contracts . . . than several Senators from the area lauded the contracts as a new Federal power policy and the pattern for the rest of the United States. . . .
>
> . . . .
>
> . . . to call them a pattern for the rest of the country is a serious error. . . . It is ridiculous to think that such an arrangement would work in the Pacific Northwest, for example.
>
> The Government at long last has a contract which will effect some savings in transmission lines, but it must not be forgotten that the S.P.A. system is now fully integrated with and dependent upon--the private companies for a 20-year period. How this will work out remains to be seen.[41]

Shortly before these contracts were signed and on the assurance from Chapman that they would be concluded, the Senate cut $6,000,000 off the House approved $16,350,000 Southwestern Power Administration appropriation for construction, acquisition and contract authority for transmission facilities. The Conference Committee sustained the cut after the Department said it would not need the money upon releasing news of the signing. Private power viewed these developments as signs that its position *vis-à-vis* public power was improving. The pro-industry *Electrical World* noted that although the amount was not large, the kind of saving that came from cooperating with private power was something Congressmen and their constituents could understand. Furthermore, it observed, these contracts were concluded after Congress directed the power agency to try to obtain them before using any appropriations for transmission facilities. Thus, Congress would probably press the Government to make more such agreements.[42]

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[39] Memorandum, Clyde Ellis to C. Girard Davidson, January 18, 1950, General Office File of Assistant Secretary Davidson, 1946-50, R.G. 48, N.A.

[40] Letter, Chapman to Cannon, July 11, 1950, File 1-310, Administrative General, Power Development, Southwestern, Part 8, R.G. 48, N.A.

[41] Memorandum, Warne to Chapman, August 14, 1950, ibid.

Meanwhile, the contracts being executed between the Southwestern Power Administration and generating and transmission cooperatives were becoming a controversial political issue. Although some opponents claimed that such loans had never been made prior to this period, the Rural Electrification Administration made its first loan to a federated cooperative in 1941. By January 5, 1949 it had made 115 such loans in almost every area of the country. The agency justified these loans under Section 4 of the Rural Electrification Act which provided:

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[42] *Electrical World*, July 31, 1950, 78, September 4, 1940, 13; U.S. Congress, Senate, *Appropriations, Budget Estimates, Etc.*, 81st Cong., 2d sess., *Senate Document 239*, (Washington, D.C., 1950), 153, 887, 915; *Electrical World*, September 4, 1950, 13.

> The Administrator is authorized and empowered . . . to make loans . . . for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems.

The Rural Electrification Administration's policy was to make these loans only where they were "required either to solve a problem of inadequate service or to give the members of the cooperatives electric service at a low cost."[43]

In March 1950 three loans totalling over $30,000,000 were granted by the Rural Electrification Administration to "super-cooperatives" in Missouri, Arkansas and Oklahoma. These cooperatives planned to build steam and transmission facilities with the money, sell power to the Southwestern Power Administration and lease most of the transmission lines to that power agency. Announcement of the loans brought charges of "unholy alliance," "iniquitous arrangement," "illegal contract," "duplication of existing facilities" and "an effort to circumvent Congress" from private utility executives testifying before the Congressional appropriations committees that were considering Rural

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[43] Letter, Claude R. Wickard to Representative John L. McMillan, January 5, 1949, speech, Claude R. Wickard, prior to a power panel, June 12, 1950, Office Files of Claude Wickard, 1947-49, R.G. 221, N.A.; see also Annual Report of the Department of Agriculture, Administration of Rural Electrification Administration, 1949 (Washington, D.C., 1950), 9.

Electrification funds for fiscal 1951.[44]

Rural Electrification Administrator Claude Wickard and Southwestern Power Administrator Douglas Wright defended the loans before the committee, arguing that the Rural Electrification Administration had a continuing duty to see that its customers received adequate electric service at a reasonable rate and that the Department of Agriculture solicitor had upheld the right of generating plants financed by the Administration to intermingle power with that from other plants.[45]

Far from being settled, however, the controversy grew more intense. Kansas City Power and Light Company and nine other private utilities in the Midwest filed a suit in the United States District Court in Washington, D.C. seeking an injunction against the Rural Electrification Administration, Southwestern Power Administration and the Secretaries of Agriculture, Interior and the Treasury to stop Rural Electrification Administration loans to five "super-cooperatives" in Missouri that planned to lease their facilities to the Southwestern Power Administration.[46] Calling the practice part of a plan to nationalize the electric power industry, Representative Boyd Tacket (Democrat, Arkansas) introduced a bill to require Congressional approval of these "super-cooperative" loans, and other measures also were introduced in Congress that would have had a similar effect. None, however got out of committee.[47] About the same time, a House committee announced it would make a study of these loans. However, it decided to withhold action pending the outcome of the court case.[48]

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[44] Electrical World, February 5, 1950, 6; New York Times, March 11, 1950, 18, March 22, 1950, 44.

[45] New York Times, March 22, 1950, 44.

[46] Electrical World, November 27, 1950, 13.

Although the Senate Appropriations Committee did not go so far as to ban the use of the continuing fund for perpetuating this type of alliance, it did state in its report on the onmibus appropriation bill for 1951 that the Southwestern Power Administration had been using this money to aid generating and transmission cooperatives "to an extent not contemplated" when it was originally established. The report went on to stipulate that the fund should not be used unless "absolutely necessary to enable public bodies and cooperatives to secure sufficient power to supply customers."[49]

The following year (1951) the Administration requested $4,100,000 for construction for Southwestern Power Administration, but this amount was intended to cover contracts then in progress. No new contract authority was requested. Operation and maintenance estimates brought the total to $5,400,000. Controversy centered on proposed projects in Western Missouri, the use of the continuing fund and a modified Keating Amendment restricting the agency's power to build transmission lines where it had wheeling agreements with private utilities.[50]

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[47] Public Utilities Fortnightly, March 2, 1950, 298, March 16, 1950, 363; Congressional Quarterly, VI (1950), 96.

[48] Public Utilities Fortnightly, January 4, 1951, 37.

[49] Ibid., August 3, 1950, 163.

The Western Missouri project, which called for building a transmission line, switching station and substations to interconnect lines being built by cooperatives and under lease to the Southwestern Power Administration, was intended to provide additional transmission capacity to these cooperative lines in central and western Missouri so that the power agency could serve more municipalities in those areas. Congress had granted about half the estimated cost of $4,960,125 for fiscal 1951; now Southwestern was asking $1,560,000 more. Strenuous protests came from Kansas City Power and Light Company, which also objected to the lines being built by two cooperatives in this area. The utility argued that the project would duplicate existing lines and that there was no power shortage in Missouri.[51] While the House cut this amount, and the Senate sustained its action, the Conference Committee put an appropriation of $810,600 back in the bill.[52] However, the Conference report stipulated that it was expected

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[50] *Congressional Quarterly*, VII (1951), 120.

[51] *Public Utilities Fortnightly*, January 1, 1951, 166; *Congressional Quarterly*, VII (1951), 120; U.S. Congress, Senate, *Appropriations, Budget Estimates, Etc.*, 82d Cong., 1st sess., *Senate Document 88* (Washington, D.C., 1951), 593; letter, Ludwick Graves, Counsel for Kansas City Power and Light Company, to Chapman, June 4, 1951, File 1-310, Administrative General, Power Development, Southwestern General, Part 14, R.G. 48, N.A.

> . . . that a determined effort will be made by the Secretary of the Interior to negotiate with the private utilities to obtain a contract that will make unnecessary the use of this appropriation for such project.[53]

The total budget request for construction and operation was cut $725,000 resulting in an appropriation of $3,575,000 in the final bill with conferees expressing their desire that Southwestern quickly negotiate contracts with twelve private utility companies in the area.[54]

When the Keating amendment, which applied only to the Bureau of Reclamation, reached the Senate floor, an amendment was offered to apply its terms to the three power administrations so that they too would not be able to build transmission lines in areas where they had working agreements with private power companies. The proposal was defeated after it was pointed out that language already in the bill would accomplish the same purpose.[55]

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[52] Conference Report No. 888, 82d Cong., 1st sess.; letter, Charles Brannan, Secretary of Agriculture to Chapman, August 22, 1951, Power Authorities: S.W.P.A. folder, Files of Riggs Sheppard, R.G. 221, N.A.

[53] Conference Report No. 888, 82d Cong., 1st sess., 5.

[54] Congressional Quarterly, VII (1951), 120-25; Public Utilities Fortnightly, August 2, 1951, 168-69; Electrical World, July 28, 1951, 73; Public Law 136, Statutes at Large, LXV (1951), 249; Senate, Appropriations, Budget Estimates, Etc., 82d Cong., 1st sess., 593. The total amount for construction and maintenance and operation was $4,630,882.

[55] Congressional Quarterly, VII (1951), 123.

A restriction of Southwestern's use of its continuing fund to "emergency" expenses was added in the Senate committee, but the Conference Committee softened the language so that the use of this fund for buying electric power and renting transmission lines would be limited to the amount set yearly by Congress. For fiscal 1952 this amount was set at a maximum of $250,000.[56]

Behind this move was the desire of private power proponents to prevent the use of this money for leasing power facilities from the generating and transmission cooperatives. In August 1951, at the time of the final passage of the 1952 appropriations bill, the status of the Rural Electrification-Southwestern Power Administration alliance was uncertain. In December 1950, the Rural Electrification Administration had approved another controversial "super-cooperative" loan to an Arkansas federation. The suit filed in District Court to try to stop three such Rural Electrification Administration loans already approved by its Administrator to federated cooperatives in Missouri was still pending.[57] The attorney for the private utility companies who brought the suit argued that the purpose of the loans was to "by-pass the intent of Congress," which had failed to approve appropriations for steam plants and transmission lines for Southwestern, to enable the power agency to compete with private companies.[58]

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[56] Ibid., 123-24; letter, Brannan to Chapman, August 21, 1951, Power Authorities: S.W.P.A. folder, Files of Riggs Sheppard, R.G. 221, N.A.; Public Law 136, Statutes at Large, LXV (1951), 249.

[57] Electrical World, October 16, 1950, 5, December 11, 1950, 6; New York Times, January 23, 1951, 39.

Because of the restrictive language in the Conference Report on the 1952 Appropriations Bill pertaining to the continuing fund and the cut in the budget request for the Missouri project, the Rural Electrification Administration asked for a conference with Interior to determine whether Southwestern would be able to meet its contractual obligations to the generating and transmission cooperatives. The power agency representative stated that the Department's position had not changed--these facilities were necessary under the law even if wheeling agreements were signed with companies in the area.[59]

Still not satisfied, the Secretary of Agriculture asked the Secretary of the Interior for a current opinion from his Department's solicitor on whether "in the light of subsequent legislative developments," Southwestern Power Administration could legally fulfill its obligations to the federated cooperatives.[60] Solicitor Mastin G. White gave the opinion that the authority of the Southwestern Power Administration to purchase electric power and rent transmission facilities was lawful under Section 5 of the Flood Control Act of 1944 just as it had been when he rendered an opinion on the question in July 1949, but the power agency could exercise this right only to the extent that Congress granted money for this purpose.[61]

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[58] Electrical World, December 11, 1950, 6; New York Times, December 19, 1951, 4.

[59] Memorandum, Henry W. Blalock, Assistant to the Administrator, to Douglas Wright, August 16, 1951, File 1-310, Administrative General, Power Development, South-Western General, Part 14, R.G. 48, N.A.

[60] Letter, Brannan to Chapman, August 21, 1951, Power Authorities: S.W.P.A. folder, Files of Riggs Sheppard, R.G. 221, N.A.

During this period President Truman let it be known both publicly and privately that he opposed private power's treatment of rural electric cooperatives in the Southwest. Charging that private power interests were "trying to stop farmers . . . from getting the benefit of low cost hydro-electric power through electric cooperatives," the President in a speech delivered in Arkansas in 1952 made an obvious reference to private power's attacks on the generating and transmission cooperatives when he said that these interests "have been bringing lawsuits, and running advertisements and appearing before Congress" so that farmers will have to pay more for their electricity.[62] And when president H. B. Munsell of the Kansas City Power and Light Company wrote the President asking that he temporarily delay the loan by the Rural Electrification

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[61] Letter, Brannan to Chapman, August 22, 1951, memorandum, Solicitor Mastin G. White to Director, Division of Water and Power, September 14, 1951, File 1-310, Administrative General, Power Development, Southwestern General, Part 14, R.G. 48, N.A.

[62] "Address in Arkansas at the Dedication of the Norfolk and Bull Shoals Dams, July [illegible] 1952, *Public Papers: Truman, 1952-53*, 458; *Electrical World*, June 2, 1952, 70-71.

Administration to a "super-cooperative" in Missouri, he received little encouragement. Truman's assistant replied that the cooperatives in the area had been trying for several years to get satisfactory service from private power companies and had failed; therefore, the "rural consumers in Northwest Missouri should not be denied the opportunity to obtain an adequate supply of low cost power."[63]

The Southwestern Power Administration had entered into contracts with a number of generating and transmission cooperatives, but whether this type of alliance would be allowed to continue was left in abeyance as the Truman Administration came to an end. The continuing fund request for fiscal 1953 of $1,425,000 was cut to a maximum of $1,000,000, with the House Appropriations Committee stating that its actions were to be regarded as a deferment until the court case was decided. By January 20, 1953, the trial to determine if the Rural Electrification Administration and Southwestern Power Administration had violated the law in making the contracts with the Missouri cooperatives had been completed, but the District Court judge had not yet handed down a decision. The case was certain to be appealed to the Supreme Court regardless of the outcome.[64]

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[63] Letters, H. B. Munsell to Truman, February 4, 1950, Wickard to Matthew J. Connally, March 20, 1950, Connally to Munsell, March 23, 1950, 1948-53 folder, O.F. 375, Truman Papers, T.L.

Nor was the other main issue concerning the Southwestern Power Administration settled during these Truman years. In 1952 the fight over Congressional appropriations to the power agency for building transmission lines and over the role of wheeling agreements was far from over. Public and private power interests were undboutedly showing a stronger inclination to cooperate than they had in the past, largely due to pressure on the Government from Congress.

The Interior Department asked for $4,150,000 for Southwestern construction for fiscal 1953--nearly $1,000,000 more than it did for 1952. The House slashed all of the amount. In the Senate, however, friends of public power prevailed again so that in the final bill the appropriation request was restored in full. This victory was tempered by an expression of hope on the part of House-Senate conferees that the negotiations for a wheeling contract with power companies in the Southwest could be concluded at an early date.[65]

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[64] New York Times, October 28, 1952, 46; "Memorandum on the Power Supply Problems in the Southwest Area," March 23, 1953, and "Notes of Meeting on Cooperatives Having Contracts with S.P.A.," May 18, 1953, Power Authorities: S.W.P.A. folder, Files of Riggs Sheppard, R.G. 221, N.A.; U.S. Congress, Senate, Interior Department Appropriations for 1953, Hearings before a Subcommittee of the Committee on Appropriations, 82d Cong., 2d sess. (Washington, D.C., 1952), 17; Public Utilities Fortnightly, January 4, 1951, 36-38; Electrical World, January 19, 1953, 5, January 28, 1952, 115; Senate, Appropriations, Budget Estimates, Etc., 82d Cong., 2d sess., 559.

Wright had been working energetically to reach an agreement with a number of these companies. In a speech delivered in Missouri in February, he discussed contracts with twelve utilities that he said had been tentatively agreed upon. He did not name the companies, but he said that Chapman was studying the contracts.[66] Before the Senate subcommittee, Wright described this proposal as being basically identical to the Oklahoma contracts. He expressed the opinion that it was "the best contract that was ever negotiated" and that it would "settle the power question in the Southwest."[67] However, the Administrator's statement that he had submitted the draft on January 21 prompted Guy Cordon, the anti-public power Senator from Oregon, to question why, if it was such a good contract, it had not been approved in three months' time.[68]

The Senator was implying, of course, that Secretary Chapman was purposely delaying the execution of these contracts. Others, including the Electrical World, drew the same conclusion. When asked about this at a news conference, Chapman said that he was waiting until a "thorough review" of cost figures could be made and that he was trying to see if the views of various Government agencies could be reconciled. The contracts remained on his desk, unsigned, when Chapman left office.[69]

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[65] Senate, Hearings on Interior Department Appropriations for 1953, 82d Cong., 2d sess., 17; Public Utilities Fortnightly, January 4, 1951, 36-38; Congressional Quarterly, VIII (1952), 106; Electrical World, July 14, 1952, 116; Senate, Appropriations, Budget Estimates, Etc., 82d Cong., 2d sess., 143, 560.

[66] Speech, Douglas Wright at Herman, Missouri, February 5, 1952, File 1-210, Administrative General, Power Development, Administrative, Public Statements by Departmental Officials, Part 3, R.G. 48, N.A.; New York Times, February 13, 1952, 43.

[67] Senate, Hearings on Interior Department Appropriations Bill for 1953, 82d Cong., 2d sess., 67.

[68] Ibid., 68.

II

The Southeastern Power Administration was another agency through which the Interior Department became embroiled in controversies with private power companies and with Congress over transmission lines and wheeling contracts. In March 1950 the new agency was still getting organized; its first administrator, Ben Creim, was appointed on the 6th. Already, private power was eyeing the new body closely, particularly since it had an operating area second in size only to that of the Bureau of Reclamation.[70] The questions that private power interests were asking about the new organization were first, would it too quarrel with private utilities as the other two power agencies in the Department of Interior had; second, would it try to build transmission systems and third, would it become a point around which public power movements in the Southeast could rally?[71]

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[69] Electrical World, August 4, 1952, 5; Press Conferences, February 13 and April 29, 1952, Public Addresses and Statements, Transcripts of Press Conferences Held by Secretary Chapman, Chapman Papers, T.L.; "Notes of Meeting on Cooperatives Having Contracts with SPA," May 18, 1953, Power authorities, S.W.P.A. folder, Files of Riggs Shephard, R.G. 221, N.A.

[70] However, while Reclamation also built and operated irrigation and power projects, Southeastern Power was set up just to market electric power generated at Corps of Engineers developments.

It was anticipated that within a few years the new power agency would market about one-tenth of all the power produced in the Southeast. Although it could be expected to try for some transmission lines to interconnect nearby plants, there seemed little prospect for a grid the size of that of the Bonneville or Southwestern Power Administrations since large capacity transmission facilities already existed in the area owing to its highly industrialized nature. The Corps of Engineers had finished two power projects in the Southeast--Dale Hollow on the Obey River in Tennessee and Allatoona on the Etowah River in Georgia. Seven more hydro projects were under construction and thirteen were authorized and in the planning stage.

The Southeastern Power Administration inherited a contract which the Interior Department had negotiated with the Georgia Power Company in 1948 to buy all of the power output from the Allatoona project. In it preference customers were assured their rights by authorizing the Government to draw up to 2,500,000 kilowatts per week for them. Public power proponents feared that this contract might be regarded as a precedent for future Southeastern Power Administration policy; however, Creim assured the American Public Power Association in April that this would not be the case and that preference customers would be allowed access to Federal power at the bus bar.[72]

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[71] Electrical World, March 6, 1950, 4-6.

As it turned out, the Georgia Power Company was to provide the first quarrel between private power and the new power agency. Three days after Southeastern was officially established (on March 24, 1950), this company, acting in behalf of a group of private companies operating in the areas of the Clark Hill and other Federal projects, proposed to Administrator Creim that the utilities buy Federally generated power at the bus bar. The companies would agree to sell power to preferred agencies at a rate paid the Government, plus a percentage to be agreed upon. On August 14, 1950, Creim rejected the offer because under its terms, the company would keep all the Government's preference customers, would not allow the Government to serve any preference agencies by wheeling and would allow preference customers to get power directly from the Government only over transmission lines which it built. Creim then made a counter-proposal consistent with Federal law and policy. Three times, Creim rejected the Company's offer (August 14, September 8 and September 22, 1950), while the utility appeared unwilling to discuss Southeastern's counter-proposal.[73]

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[72] Letter, C. Girard Davidson to Representative James C. Davis, August 20, 1948, File 1-310, Administrative General, Power Development, Southeastern, Georgia Power Company, Part 1, R.G. 48, N.A.; Electrical World, March 6, 1950, 4-6; Public Utilities Fortnightly, April 27, 1950, 560.

Pursuant to a request by the Defense Department, Southeastern Power Administration, on October 6, asked the Georgia Power Company if it would, for a reasonable fee, "transmit for the account of the Government power from the Allatoona project to military establishments" in the company's service area.[74] At first, the company avoided giving an unequivocal reply to this question, as well as to a request that had been made in February to supply Allatoona power to the Atlanta Penitentiary for the account of the Government. But its vice-president did make it clear that Georgia Power would be a hard bargainer. Charles A. Collier warned Creim that although his company was not looking for a fight with Interior or his agency, "if you want a fight, we will fight and it will be a beaut."[75] Furthermore, at a November 17 meeting, Georgia Power stated that it would not give up any of its present customers to the Government nor would it transmit power for the account of the Government to Government preference customers.[76]

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[73] Memorandum, Creim to Chapman, February 7, 1951, File 1-310, Administrative General, Power Development, Southeastern, Georgia Power Company, Part 1, R.G. 48, N.A.

[74] Letter, Creim to Charles A. Collier, Vice-President, Georgia Power Company, October 6, 1950, ibid.

[75] Memorandum, Creim to Warne, November 6, 1950, ibid.

On February 22, 1951, Collier proposed another contract, which Creim and Warne called merely another version of the thrice rejected initial offer of March 24. Negotiations were kept open, however, as Warne had directed they be, and a revised draft of September 4, 1951 was sent to various Federal agencies for recommendations. These agencies included the Southwestern Power Administration, the Bureau of Reclamation, the Bonneville Power Administration and the Division of Water and Power.[77]

All of the officials who responded perceived dangers in the proposed contract. They pointed out that it contradicted the established power policy of the Government, conflicted with the 1944 Flood Control Act and threatened to jeopardize both the Federal transmission program and any wheeling contracts under negotiation. Under its terms the company would buy Clark Hill power and agree to resell it to preference customers at its purchase cost, plus a surcharge. Wrote Commissioner Straus about this proposal:

> Acceptance of this theory would be diametrically opposed to the policy on which this Bureau and some other power agencies of the Department have operated;

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[76] Memorandum, Creim to Chapman, February 7, 1951, ibid.

[77] Memoranda, Assistant Secretary Warne to Creim, November 6, 1950, Creim to Chapman, February 7, 1951, letters, Creim to Charles A. Collier, March 2, 1951, Warne to Collier, March 13, 1951, ibid.

> i.e., the sale of power directly to preference customers over Government owned transmission lines or through wheeling or transfer arrangements over transmission facilities owned by others. During Congressional discussions in recent years even those who have been opposed to the construction of Government transmission lines have never gone so far as to voice a proposal that the Secretary sell power on a monopoly basis to those utilities who would agree to resell power under the policies spelled out by the various acts of Congress which govern the marketing of power by the Secretary.[78]

Georgia Power Company continued efforts during the Truman Administration to execute a contract on its terms. In response, Chapman wrote the President of the Southern Company (parent of Georgia Power Company):

> It cannot be too strongly emphasized that the Secretary of the Interior, not the Georgia Power Company, is charged with the responsibility of giving preference in the sale of power to public bodies and cooperatives. He cannot delegate this function to a private power company.

Furthermore, he argued, under this contract,

> . . . there would be no way of supplying the needs of these customers. They would have to depend upon purchasing power from you at your established rates.[79]

Georgia Power Company's rebuttal was that if the Government acted on the assumption that it had an obligation to supply such future needs of "an indefinite number of customers," then it must be "embarked on a policy of nationalization of that part of the electric power industry servicing this particular class of our citizens."

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[78] Memoranda, Straus to Warne, August 3, 1951, Earley to Leavy, Acting Administrator, August 1, 1951, Creim to Warne, October 8, 1951, ibid.

[79] Letter, Chapman to C. B. McManus, January 2, 1953, ibid., Part 2.

The private utility further charged that the Department had misconstrued the meaning of the Flood Control Act of 1944 and related statutes which did "not authorize or obligate . . . [the] Department to enter upon a program of generating and supplying the present and future power needs of any class or classes of utility customers."[80]

Chapman, however, refused to capitulate because he believed that signing such a contract would spell the end of the present Government power policy. On the day before he left office, the Secretary announced that he had rejected a similar proposal by the Georgia Power Company on the grounds that preference customers must be the Government's customers.[81]

Another major controversy in the Southeast with which the Interior Department had to deal concerned disposal of Federally generated power at the Buggs Island Dam near the Virginia-North Carolina border. The private utility that offered most of the opposition to Government-built transmission lines in this case was the Virginia Electric and Power Company. The quarrel began in December 1950 when Interior asked Congress for $1,850,000 to build a line for carrying electric power from the Buggs Island project to Langley Field in Virginia, an installation that housed laboratories of the National Advisory

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[80] Letter, Harlee Branch, Jr., President, Georgia Power Company, to Chapman, January 10, 1953, ibid.

[81] Electrical World, January 19, 1953, 5.

Committee for Aeronautics. Intended for inclusion in the Second Supplemental Appropriations Bill for fiscal 1951, this item engendered heated debate in closed sessions of both House and Senate subcommittees dealing with Interior appropriations. The Virginia Electric and Power Company testified that the line was unnecessary since the private utility could supply all the power needs of Langley Field, and the entire Virginia delegation spoke against it. However, the House approved the request.[82]

When the item was being considered by the Interior Subcommittee of the Senate Appropriations Committee, the private company testified in the same manner. Also speaking in opposition, Senator Willis Robertson (Democrat, Virginia) submitted an official statement from the Department of Defense stating it was immaterial to that department who furnished power to its installations in any area. The Committee struck out the item and told Interior and the National Advisory Committee for Aeronautics to negotiate a contract with Virginia Electric and Power Company.[83]

Conferees of the House and Senate could not agree on this item, and it went back to the Senate. On January 2, the last day of the session, a vigorous debate ensued which turned into a public versus private power battle. Public power emerged the victor on a motion by Senator Carl Hayden. The close roll call vote of 43-41 showed 35 Democrats and 8 Republicans voting yes and 29 Republicans and 12 Democrats voting no.[84]

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[82] Congressional Quarterly, VI (1950), 143; Electrical World, December 18, 1950, 72; Public Utilities Fortnightly, January 4, 1951, 37.

[83] Richmond Times Dispatch, December 20, 1950, 1; Congressional Quarterly, VI, (1950), 142; U.S. Congress, Senate, Interior Department Supplemental Appropriations Bill for 1951, Hearings before a Subcommittee of the Committee on Appropriations, 81st Cong., 2d sess. (Washington, D.C., 1950), 362, 382.

Among those who voted against granting funds for the Buggs Island-Langley Field line were Senators A. Willis Robertson (Democrat, Virginia) and Guy Cordon. Robertson claimed that the line would parallel the private company's facility, while Cordon argued that Virginia Electric and Power was "ready, able and willing to furnish the necessary power at a rate less than the Government's rate." If it was necessary to approve the item rather than hold up the bill, Cordon expressed the hope that the funds would be made available to Interior only in the event that it could not execute a wheeling contract with the private utility. Among those who helped the public power position were Senators McKellar and Hayden. McKellar pointed out that the company would have to build two new lines to carry the required power and that to deny funds for the line would be to give the utility the upper hand. Hayden told the Senate that the private company had submitted what appeared to be a satisfactory wheeling plan only after the House had approved funds for the line and reminded his colleagues of the times that Interior had successfully used appropriations for transmission lines as a bargaining point in contract negotiations. Also influential in getting the item approved was the warning from Congressmen Kirwan and Cannon, members of the Conference Committee, that the entire bill, which included defense appropriations, would die if the Senate did not approve the bill on this final day of the session.[85]

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[84] Congressional Record, 81st Cong., 2d sess., 1951, XCVI, 17095-17102; Congressional Quarterly, VI (1950), 142-43; "Significant Votes in House and Senate Pertaining to Public Power in the Southeast," File 1-310, Administrative General, Power Development, Southeastern, Part 15, R.G. 48, N.A.

Immediately after the bill was passed, Hayden informed Assistant Secretary of the Interior Warne that the sole reason that he had been able to obtain Senate approval of the appropriation was on the assurance that the Department would build the line only after having made a genuine but unsuccessful effort to execute a wheeling contract. Warne replied that if that were the case, Interior would not begin construction until it was clear that a satisfactory agreement could not be reached.[86]

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[85] Congressional Record, 81st Cong., 2d sess., 1950, XCVI, 17095, 17097-99; Memorandum, Warne to Creim, January 3, 1951, File 1-310, Administrative General, Power Development, Southeastern General, Part 3, R.G. 48, N.A.; Congressional Quarterly, VI (1950), 142-43; Electrical World, January 1, 1951, 42, January 8, 1951, 5; Public Utilities Fortnightly, January 4, 1951, 37.

Agreeing that Hayden's assurances were undoubtedly responsible for the narrow victory, Secretary Chapman, two days after passage of the bill, instructed Creim to commence negotiations. The Secretary ordered Warne to follow Creim's progress so that in a "reasonable number of weeks we may have either a contract with the power company or a determination that no satisfactory contract can be had."[87]

The congressional appropriation apparently had some effect on the company's attitude, for it submitted a proposal to Southeastern which Warne said looked "like a fairly satisfactory contract." In this draft the utility, for the first time, indicated a willingness to consider a contract compliant with certain wheeling principles acceptable to the Government. Despite this promising beginning, however, the negotiations became bogged down over three major points: (1) the principle of system-wide wheeling, (2) the point at which the power would be sold and (3) the amount of the wheeling charge. Interior insisted that the company agree to wheel power on a system-wide basis to the Government's preference customers, sell power at the ends of its transmission lines rather than at the bus bar and pay a flat, one mill rate, area wide. On March 20, Creim reported that if these problems could not be solved by the end of the month, survey crews would begin work on the line. Another informal offer came from the power company, but Creim found the wheeling charge unacceptable. At this point, because Creim became ill, Chief Counsel Leavy was put in charge with E. P. Eardley of the Division of Water and Power given the responsibility of following events closely.[88]

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[86] Memorandum, Warne to Creim, January 3, 1951, File 1-310, Administrative General, Power Development, Southeastern General, Part 3, R.G. 48, N.A.

[87] Letter, Chapman to Hayden, January 4, 1951 and memoranda, Chapman to Warne, Chapman to Creim, both of January 4, 1951, all in Miscellaneous Papers, Reading File, Chapman Papers, T.L.

Agreement could not be reached. On April 6, 1951, Secretary Chapman informed the chairmen of the House and Senate Committees on Interior and Insular Affairs and the chairmen of the House and Senate Interior Subcommittees of the Committees on Appropriations that all possibilities had been exhausted; therefore, work on the transmission line was commencing.[89]

In the meantime, Interior had boldly asked for $4,000,000 for fiscal 1952 construction and for planning and building transmission facilities for disposal of power from the Buggs Island, Virginia-North Carolina project and the Clark Hill project in Georgia-South Carolina.[90] Before the Interior Subcommittee of the House Committee on Appropriations, Creim testified that the transmission lines were needed in North Carolina to supply municipalities and Rural Electrification Administration cooperatives with additional power. Clyde Ellis listed seventeen North Carolina cooperative systems that would be served by these lines. Representatives of Virginia Electric and Power Company and Carolina Power and Light Company, on the other hand, testified that their rates to cooperatives could not be beat by Southeastern and that the cooperatives were satisfied with service from private power.[91]

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[88] Minutes, "Water and Power Programs Meetings," January 3, 1951, March 20, 1951, March 27, 1951, April 10, 1951, File 030, General Congresses and Conventions, Water and Power Programs, R.G. 115, W.N.R.C.; House, Hearings on Appropriations Bill for 1952, 82d Cong., 1st sess., 93-94, 1161-62.

[89] Identical letters, April 6, 1951, Miscellaneous Papers, Reading File, 1950-51, Chapman Papers, T.L.

The House was in a particularly ugly mood regarding transmission lines. The Committee's cut of $625,000 was to be expected, but the action of the full House was surprisingly savage, even for the traditionally anti-public power body. It approved an amendment offered by Representative Vaughan Gary (Democrat, Virginia) which slashed the Interior Department's request by $3,400,000 in effect eliminating all Southeastern construction. Claiming that the Virginia Electric and Power Company was "ready to wheel the power at the prices in effect in any major wheeling and firming contract" then in operation, Gary told the House that building the line was "absolutely unnecessary."[92]

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[90] Congressional Quarterly, VII (1951), 120-21; Public Utilities Fortnightly, January 1, 1951, 166-67, August 2, 1951, 168.

[91] House, Hearings on Interior Appropriations Bill for 1952, 82d Cong., 1st sess., Part 1, 94-97, 106, Part 2, 1395, 1480-81, 1483.

The Senate repaired some of the damage inflicted by the House, although the total appropriation of $518,500 was much below the amount requested. Some members of the Senate Committee were quite unhappy with Interior for not having concluded an agreement with Virginia Electric and Power Company. In fact, it recommended rescinding the unobligated portion of the $1,850,000 appropriated in the 1951 Second Supplemental Bill and the bill passed with this withdrawal clause.[93]

Thus, in effect directed by Congress to get together, Virginia Electric and Power and Southeastern Power resumed negotiations. By November 1951 substantial agreement had been reached on all major points. The private utility agreed to the system-wide wheeling principle; Southeastern Power agreed to let the company wheel from the project and compromise on the wheeling charge for an average of 1.375 mills was worked out.[94]

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[92] Congressional Quarterly, VII (1950), 120-21; "Significant Votes in House and Senate Pertaining to Public Power in the Southeast," File 1-310, Administrative General, Power Development, Southeastern General, Part 15, R.G. 48, N.A.; Congressional Record, 82d Cong., 1st sess., 1951, XCVII, 4282-83, 4292.

[93] Congressional Quarterly, VII (1951), 122-23; Public Utilities Fortnightly, August 2, 1951, 168-69; Congressional Record, 82d Cong., 1st sess., 1951, XCVII, 7774; Public Law 136, Statutes at Large, LXV (1951), 249.

When he appeared before the House subcommittee in early 1952, Chapman called these results "one of the Southeastern's major accomplishments" of the year.[95] The Senate subcommittee was curious as to why the Virginia Electric and Power Company had been able to come to terms with the Government when other companies in the area had not. In response to such a query, the vice-president and general counsel of the private utility, T. Justin Moore, replied:

> We really became convinced . . . that you gentlemen were probably going to make appropriations if we did not in some way get together. We just did everything we could.[96]

Because of the imminent signing of a contract, Southeastern Power Administration was not granted the requested funds for a Buggs Island Dam to Kinston, South Carolina line in the 1952 Appropriations bill.[97]

However, the agency did receive an appropriation of $318,500 for a line to run from Clark Hill Dam to Greenwood, South Carolina, despite a plea from Senator Clyde R. Hoey (Democrat, South Carolina) that the item be eliminated. This proposed Clark Hill-Greenwood transmission line created another struggle between public and private power in the Southeast. In this case, two private utilities--South Carolina Electric and Gas Company and Duke Power Company--exerted pressure on Senator Hoey, who, in turn, kept a vigilant eye on the Senate Appropriations Committee to see that it followed up on its assurances to the Senate. These included promises by the committee to supervise Interior's efforts to execute wheeling agreements and if a reasonable offer were made and rejected, to forbid the use of funds already appropriated or ask for their cancellation.[98]

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[94] Senate, Hearings on Interior Department Appropriations Bill for 1953, 82d Cong., 2d sess., 160-62.

[95] Quoted in ibid., 1159.

[96] Ibid., 1157.

[97] Congressional Quarterly, VII (1951), 120-24; Congressional Record, 82d Cong., 1st sess., 1951, XCVII, 7774-75.

In January 1952 Chapman instructed the Administrator of the Southeastern Power Administration to begin work immediately on the line so that the contract which Southeastern had made to deliver power to the Greenwood County Electric Power Commission (a public body) could be fulfilled.[99] The Acting Administrator reported that survey and design work was "going forward on the line" and also informed his superior that South Carolina Power and Light Company and Duke Power Company were trying "to create distrust on the part of the Commission toward Southeastern."[100]

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[98] Congressional Quarterly, VII (1951), 120-24; Congressional Record, 82d Cong., 1st sess., 1951, XCVII, 7774-75; Senate, Report No. 499, 82d Cong., 1st sess., v; letter, N. A. Cocke, Vice-President, Duke Power Company, to Senator Clyde R. Hoey, January 25, 1952, File 1-310, Administrative General, Power Development, Southeastern General, Part 5, R.G. 48, N.A.; Senate, Appropriations, Budget Estimates, Etc., 82d Cong., 1st sess., 146.

[99] Memorandum, January 15, 1952, File 1-310, Administrative General, Power Development, Southeastern General, Part 5, R.G. 48, N.A.

When they learned that this preliminary work was taking place, the private utilities became alarmed. The vice-president of the Duke Power Company, N. A. Cocke, wrote Senator Hoey that South Carolina Electric and Gas Company had offered to transmit power from Clark Hill to the Greenwood County Electric Power Commission and that his company had agreed to provide the transmission facilities. He had then learned that the Greenwood County Commission had offered to build the line and had even gotten approval from the Defense Electric Power Administration but that it suddenly stopped its plans when Interior told the Commission that under no circumstances would electricity be sold at the project itself. Now, Cocke wrote, he and the president of South Carolina Gas and Electric discovered that Southeastern had begun preliminary work on the line. Thus, it appeared obvious to him that Interior intended to build the line "irrespective of whether transmission facilities can be provided without expense to the Government." He then reminded Hoey that this action was "directly in violation" of the understanding that the Appropriations Committee and the members of the Senate had "at the time funds were included for this project in the

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[100] Memorandum, Acting Administrator, Southeastern Power Administration, to Chapman, February 18, 1952, ibid.

Appropriations Bill for the fiscal year 1952."[101]

Hoey, in turn, immediately reported the information to Hayden and commented:

> I think your Committee should know that neither the Southeastern Power Administration nor the Interior Department has made any attempt to reach any agreement with reference to building these transmission lines, and both of the private companies stand ready to provide these facilities and save the Government the expenditure of this $1,172,000.[102]

Senator Hayden asked Richard D. Searles, Under Secretary of the Interior, to look into the matter.[103] The reply to Hoey's complaint came from the Secretary six weeks later. Chapman stated in defense of his Department's actions that the Greenwood Electric Power Commission had negotiated a contract with the Government on April 27, 1951 which obligated it to deliver power to the Commission. Since no transmission facilities existed between the Clark Hill project and Greenwood, it was understood at the time of the signing that Interior would build a line. After funds were appropriated for such construction in the 1952 appropriations bill, Southeastern tried to secure system-wide wheeling arrangements with Duke Power and South Carolina Electric and Gas. These two companies did offer to build the line and wheel power, Chapman continued. However, negotiations revealed that the fee of mill per kilowatt hour would far exceed the cost that the Government would incur from building its own facilities, that the offer would not be adequate to serve the growing needs of the Greenwood Commission and that the plan would not bring integration of Clark Hill with the Hartwell plants, necessary for defense, or with Duke Power Company. Therefore, after he learned in January 1952 that the Commission had decided to build the line itself because of all the uncertainty, the Secretary had decided that the best interests "of the Government, the preferred agencies and the entire Southeast," as well as the nation's defense, would best be served by Southeastern's beginning construction of the line immediately.[104]

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[101] Letter, N. A. Cocke to Hoey, January 25, 1952, ibid.

[102] Letter, January 28, 1952, ibid.

[103] Letter, January 30, 1952, ibid.

Meanwhile, hearings were being held by the House on Southeastern's request for another $869,500 for completion of the Clark Hill-Greenwood line, as well as a request for funds to build two additional transmission lines. The House allowed the full amount for the Clark Hill-Greenwood line but nothing for the other two.[105]

Acting Administrator of Southeastern Power Administration Charles W. Leavy presented his case for restoration of the amounts for the other two lines and for retention of the Clark Hill-Greenwood line before the Senate subcommittee, summing up with the statement:

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[104] Letter, Chapman to Hayden, March 17, 1952, ibid.

[105] Senate, Hearings on Interior Department Appropriations Bill for 1953, 82d Cong., 2d sess., 47-53; Congressional Quarterly, VIII (1952), 106-07.

> . . . every line for which we have asked funds is located in an area where we have been unable to secure a proper system-wide wheeling and firming agreement.[106]

However, private industry was more persuasive. S. C. McMeekin, president of South Carolina Electric and Gas Company, made a lengthy statement charging that Southeastern had disregarded both the fair offers of the two companies involved and the mandate of Congress, that there never had been or would there be in the foreseeable future a power shortage in the area and that the money appropriated the year before for the Greenwood line would not be wasted if the appropriation were not granted because so far only a survey had been made.[107] The Senate's reaction was to increase pressure on Southeastern to negotiate wheeling contracts with private companies in the area. Although it retained the House-approved amount of $959,500 ($844,500 for the Clark Hill-Greenwood line and the rest for planning a similar one in Georgia), the Senate committee added the following language:

> Provided, That no part of the funds appropriated by this paragraph . . . shall be available for the construction of transmission lines and related facilities in the Southeastern Power area until (1) a contract with the affected power companies in the area of substantially the type which has heretofore been executed in other power areas . . . has been

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[106] Senate, Hearings on Interior Department Appropriations Bill for 1953, 82d Cong., 2d sess., 52.

[107] Ibid., 1087-1101.

executed, or the said companies have refused to execute such contracts, and (2) the Secretary of the Interior has so informed the Congress.[108]

In consequence of this directive, all work on the Clark Hill-Greenwood line was suspended, and Leavy, on July 8, 1952, the day before President Truman signed the appropriation bill into law, sent telegrams to the two power companies asking if they were willing to sign a contract to deliver power for the account of the Government to its preferred customers. Leavy indicated the system-wide wheeling principles he wanted to be included in the contracts and set a date by which he would like a reply. After an exchange of several telegrams, in which the two private utilities avoided the question of system-wide wheeling and sought to restrict the negotiations to the transmission of power to Greenwood, the South Carolina Electric and Gas Company finally agreed on July 22 to commit itself to wheel power system-wide for the account of the Government.[109]

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[108] Public Utilities Fortnightly, July 17, 1952, 100; Electrical World, July 14, 1952, 116; Public Law 470, Statutes at Large, LXVI (1952), 445.

[109] Telegrams, Leavy to S. C. McMeekin, South Carolina Electric and Gas Company, Leavy to E. C. Marshall, Duke Power Company, July 8, 1952, McMeekin to Leavy, July 12, 1952, McMeekin to Leavy, July 14, 1952, Leavy to McMeekin, July 18, 1952, Marshall to Leavy, July 23, 1952, Leavy to Marshall, August 23, 1952, Marshall to Leavy, August 26, 1952, File 1-310, Administrative General, Power Development, Southeastern General, Part 5, R.G. 48, N.A.; letter, Chapman to Lindsay C. Warren, Comptroller General of the United States, December 19, 1952, ibid., Part 6.

By this time, the Department of the Interior appears to have determined that although the line would cross territory served by the South Carolina Electric and Gas Company, it would finally enter and end in territory partially served by the Duke Power Company; hence, only the latter and not the former company would be affected in its operations by the line. It is not clear whether this determination was made only after the offer came from South Carolina Electric and Gas to meet the Department's condition regarding system-wide wheeling. However, if this decision was reached shortly after the 1953 appropriations bill was passed, as Chapman was to make his case later, it does seem odd that the Interior Department did not simply inform the company of this decision in early July instead of sending it a telegram asking if it would agree to wheel power on the Department's terms. At any rate, Interior apparently did not, even at this point, inform the company of its decision on the matter.

Now Southeastern and the Interior Department seemed concerned only with the Duke Power Company. After the third telegram and a reply on August 26 from the utility, which asked for much more detailed information before an answer could be given, the Administrator recommended to Secretary Chapman that he inform Congress that the company refused to wheel power system-wide for the account of the Government.[110]

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[110] Memorandum, Administrator, Southeastern Power

This Chapman did in letters to the President of the Senate, Vice-President Alben W. Barkley, and the Speaker of the House, Sam Rayburn, on September 15. The Secretary also informed these men for the first time of his determination regarding South Carolina Electric and Gas in this matter:

> I find that the construction of this line will not affect South Carolina Electric and Gas Company's operations in any manner since it [the contract with the Greenwood County Electric Power Commission] does not provide for delivery of any power into the Company's territory either to the Company or to any other customer in its territory.[111]

On the same date, survey work on the transmission line was resumed. Hearing of this development and unaware of Interior's line of argument regarding his company's "unaffected" status, the president of South Carolina Electric and Gas Company assumed that Chapman had informed the Congress that his company had "refused to execute" a contract of the type referred to in the appropriation bill. McMeekin, therefore, wired to Chapman a reiteration of his previous offer.[112] Having received no reply after three weeks, he asked the Secretary to inform him "when and to whom" Chapman had or would report that his company had "refused to execute a contract" in conformance with

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Administration, to Administrative Assistant Secretary, August 26, 1952, ibid., Part 5.

[111] Letters, September 15, 1952, ibid.

[112] Telegram, September 25, 1952, ibid.

the Congressional directive.[113]

It was not until October 10, nearly a month after Chapman had sent his notification to Congress and survey work on the line had recommenced, that the Secretary informed McMeekin that his company was not an "affected" one.[114] McMeekin was shocked. He wrote the Interior Department asking that it reconsider the matter before going ahead on the line and requested that he be given an opportunity to discuss the wheeling proposal. Northrop merely agreed to discuss the Department's action with the private utility president, suggesting October 28 as a possible date to hold a meeting.[115]

Upon receipt of this indefinite response, McMeekin and his sympathizers took the offensive. First, he complained to Senator Hayden about the situation, saying that he never had a chance to talk with Chapman about it.[116] Hayden, who had written the proviso in the report to the Senate, at this point learned for the first time that the Acting Secretary (Northrop) took the view that the bill did not require the Department to contact the South

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[113] Letter, McMeekin to Chapman, August 18, 1952, _ibid_.

[114] Letter, October 10, 1952, _ibid_.

[115] Telegram, McMeekin to Vernon D. Northrop, Acting Secretary of the Interior, October 14, 1952, telegram, Northrop to McMeekin, October 14, 1952, _ibid_.

[116] Letter, Hayden to Chapman, October 19, 1952, _ibid_.

Carolina Electric and Gas Company regarding a wheeling agreement. Disturbed about this disclosure, the Senator urged Chapman to "stop all proceedings until you can meet with him [McMeekin]."[117]

Secondly, Senator Guy Cordon asked the General Accounting Office to render an opinion as to whether, under the facts presented in Chapman's September 15 letter to Congress, the transmission line could be financed from the amount specified for that purpose in the appropriation act.[118] Thirdly, on October 31, 1952 Senator A. Willis Robertson (Democrat, Virginia) interceded in behalf of Duke Power, asking Chapman to negotiate on the basis of the provisions in the 1953 Appropriations Bill.[119] Furthermore, when he heard that the bids were to be opened the next day for a construction contract, Senator Hayden pleaded with Chapman to make sure that no such contract was awarded "until both of the South Carolina power companies have been given another opportunity to submit wheeling agreements." He again reminded the Secretary that without his assurance that Interior would grant private utilities in the area "ample opportunity to negotiate" these contracts, the Senate would not have granted the appropriation for the line.[120]

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[117] Telegram, Hayden to Chapman, October 14, 1952; letter, Hayden to Chapman, October 9, 1952, ibid.

[118] Letter, Comptroller General to Chapman, October 22, 1952, ibid.

[119] Telegram, ibid.

Despite these urgings, Interior awarded the contract. Secretary Chapman so informed Senator Hayden, explaining that since the affected company (Duke Power) had failed after three requests to indicate a willingness to execute a contract for system-wide wheeling of Federal power, he had had no other choice but to begin construction of the line.[121]

On November 18, the two private power companies struck back. Going to District Court in Georgia, they asked that a temporary restraining order be issued to stop construction of the line. The Court did so on November 19. Following a hearing on November 26, another order restrained the contractor from completing the line by allowing it to go no farther than one mile from the terminus at Greenwood. The defendants were ordered to show cause by January 15, 1953 why they should not be so enjoined. This action made it possible for construction of the line to coninue, which Leavy wanted in the hope that the work could be substantially completed before the hearing was held.[122]

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[120] Telegram, Hayden to Chapman, October 31, 1952, _ibid_.

[121] Letter, Chapman to Hayden, November 18, 1952, memorandum, Administrator, Leavy to Chapman, December 3, 1952, _ibid_., Part 6.

[122] Leavy to Chapman, December 3, 1952, _ibid_.

Meanwhile, Chapman had delayed complying with Comptroller General Lindsay Warren's request of October 22 for evidence to support the Secretary's conclusion in his September 15 letter to the President of the Senate that he should go ahead with the line. Warren asked for the information again on December 3, saying that he needed it to reply to Senator Cordon. On December 19, Chapman sent the Comptroller General his version of the story, which was similar to the reply he had given to Senator Hayden.[123]

On January 7, 1953, the Comptroller General informed the Secretary that the record of negotiations with the South Carolina Electric and Gas Company prior to September 15 did not support the conclusion that it was not an affected company. Secondly, since the Department did not grant the conferences to the Duke Power Company that it had requested before it would agree to system-wide wheeling, the Secretary had not exhausted "every possible effort" to reach agreement with that utility. The Comptroller General therefore concluded that on the basis of Chapman's September 15 letter, he did not find sufficient grounds "for removing the restrictive effect of the . . . proviso of the Interior Department Appropriation Act, 1953." Hence, "any payment from funds referred to in the proviso for the construction of this transmission line will be disallowed."[124]

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[123] Letter, Warren to Chapman, December 3, 1952; letter, Chapman to Warren, December 19, 1952, ibid.

[124] Letter, Warren to Chapman, January 7, 1953, ibid.

Private power hailed this opinion as a victory. As the Electrical World expressed it, "Since Warren is Congress' watchdog over the federal treasury, his opinion is tantamount to a veto of the Sepa [Southeastern Power Administration] proposal."[125]

Chapman protested the Comptroller General's definition of "affected" and considered asking the Attorney General for an opinion regarding the validity of his own finding that the South Carolina Electric and Gas Company was not an "affected power company" in this case. However, in the meantime the case was removed to Federal District Court, and for this reason the Department's Solicitor advised the Secretary that it would be useless to ask the Attorney General for such an opinion because of a possible conflict of interest. There the matter rested when the Truman Administration relinquished power on January 20, 1953.[126]

The Southeastern Power Administration encountered opposition from private power interests regarding not only transmission line construction and terms of wheeling contracts but also concerning the possibility of the power agency's leasing transmission facilities built by federated cooperatives with funds loaned by the Rural Electrification Administration. These interests had before them the example of the alliances already formed between the "super-cooperatives" and the Southwestern Power Administration. Such contracts were viewed by private power companies as an attempt to crowd them out and thus socialize the electric power industry. Thus, when Southeastern requested $200,000 in 1951 to establish a continuing fund in the Treasury from power sale proceeds, which could be used to rent power facilities or buy power and energy, private power represenatives acted vigorously to prevent it.[127]

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[125] Electrical World, January 19, 1953, 9.

[126] Memorandum, Solicitor to Chapman, January 12, 1953, letter, Chapman to Comptroller General, January 16, 1953, ibid.; Electrical World, February 2, 1953, 5.

Executives of the major private power companies in the Southeast argued convincingly against the continuing fund before Congress. T. Justin Moore, vice-president and general counsel of the Virginia Electric and Power Company, told the Interior Subcommittee of the House Committee on Appropriations that no such fund was needed and reminded the committee of the "acute controversy on the issue of abuses of the fund in the Southwest."[128] L. V. Sutton, president of the Carolina Power and Light Company, agreed with Moore, charging that such a fund had been used by Southwestern Power to circumvent Congress when the power agency could not get funds to build it's own transmission and generating facilites. Thus, it used the fund to lease such facilities on a long term basis from "super-cooperatives" promoted by the Rural Electrification Administration for this purpose. This same situation would occur in the Southeast, Sutton warned, if the appropriation were granted.[129]

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[127] Congressional Quarterly, VII (1951), 122; House, Hearings on Interior Department Appropriations Bill for 1952, 82d Cong., 1st sess., Part 2, 1751-53.

[128] House, Hearings on Interior Department Appropriations for 1952, 82d Cong., 1st sess., Part 2, 1463.

Congress obliged these private power proponents in 1951 by not only cutting the amount requested for the continuing fund to $50,000 but also specifying that the money could be used for emergency expenses only. Discouraged, Southeastern Power asked for nothing for the continuing fund for fiscal 1953.[130]

III

Private power companies in the Southeast were understandably concerned about any additional strengthening of generating and transmission cooperatives during this period since they had seen the private power companies in South Carolina lose in a fight with a State agency, the Rural Electrification Administration and a "super-cooperative" over the building of transmission lines and selling of electric power. In this instance, the Interior Department was not involved. Principals in the case were the Santee Cooper Project, which consisted of the hydro-electric generating facilities owned and operated by the South Carolina Public Service Authority (a state agency); the Central Electric Power Cooperative of Columbia, made up of fourteen distribution cooperatives in South Carolina; the Rural Electrification Administration, which was a part of the Department of Agriculture, and the private power companies in the state, particularly the South Carolina Electric and Gas Company.

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[129] *Ibid*., 1478-79.

[130] *Congressional Quarterly*, VII 1952), 122; Public Law 136, *Statutes at Large*, LXV (1951), 249; *Electrical World*, January 28, 1952, 115; Public Law 470, *Statutes at Large*, LXVI (1952), 445; Senate, *Appropriations, Budget Estimates, Etc.*, 82d Cong., 2d sess., 559; Senate, *Appropriations, Budget Estimates, Etc.*, 82d Cong., 1st sess., 446, 533.

The announcement by the Rural Electrification Administration on January 7, 1949 that it had approved a $7,595,000 loan to the Central Electric Power Cooperative for a 834 mile transmission system to carry low cost hydroelectric power from Santee Cooper to load centers of these fourteen distribution cooperatives caused a furor among private power companies in South Carolina. The new system was intended to effect substantial savings for the cooperatives as well as provide "better service and better assurance of enough power to supply their future needs." Under the new arrangement, power would be delivered to the load centers of the cooperatives at a rate of 6 mills per kilowatt hour as compared with the approximately 7.5 mills then being paid.[131]

Application for the loan had been made one year earlier. In the intervening period, South Carolina Electric and Gas Company officials submitted two plans to the Rural Electrification Administration, hoping to stop the loan. The first was a proposal to wheel Santee Cooper electric power over their own transmission lines to the fourteen cooperatives. Officials of the South Carolina Authority informed the Rural Electrification Administration that this offer was not acceptable because it presented an "unreasonable, uncertain, indefinite, vague and impractical arrangement."[132] An alternative plan was offered to renew present power contracts, with a promise on the part of the private utility to reduce present rates "substantially," but mentioning no specific figure. The cooperatives rejected this proposal. In doing so, they pointed out that since the companies claimed they were already serving the cooperatives without profit, the State Commission, if it agreed with this assertion, could increase the rates when the cooperatives would no longer be in a position to obtain low cost power from Santee Cooper. Another reason they cited was that the contract would severely limit the cooperatives' area of coverage.[133]

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[131] Press release, "REA Approves Loan for New South Carolina Transmission System," S.C. Santee Cooper folder, Office Files of Riggs Sheppard, 1946-53, R.G. 221, N.A.

In retaliation, S. C. McMeekin, president of South Carolina Electric and Gas, resorted to advertising, a favorite weapon of private power in its struggle against public power in this period. Purchasing full page advertisements in New York, Washington, D.C. and South Carolina papers, McMeekin presented his side of the story regarding the loan to the public. In these ads McMeekin said that his purpose in fighting the loan was to keep his company from going out of business,

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[132] *Ibid.*

[133] *Ibid.*

> . . . to keep it from being threatened by an R.E.A. loan for transmission lines . . . which will needlessly duplicate my company's lines. I am also fighting to prevent the wasteful misuse of your money.[134]

McMeekin also claimed that not only would it take thirty-five years to pay off the loan but also Santee Cooper would own the lines at the end of that period. Furthermore, the cooperatives would be paying 10 per cent more for their electricity than at present. He added:

> Your rate from us 5.5 mills per KWH. Why pay 6 mills, plus two-tenths of a mill as a management fee to the Central Electric Cooperative for 35 years?[135]

Claude F. Wickard, Rural Electrification Administration chief and the cooperatives struck back. Calling McMeekin's charge that the loan would kill his company "palpably absurd," Wickard told the press that according to the statement of the official's own company before the Securities and Exchange Commission, South Carolina Electric and Gas Company's power sales to the cooperatives formed less than one per cent of its total revenue.[136] Regarding the 5.5 mill rate, Wickard stated that this offer was received in his office the day after McMeekin's ad appeared in the papers, and even if this rate offer, which he and the cooperatives regarded as a "desperate effort" to block the loan, were accepted, it would affect only half of the fourteen cooperatives involved.[137] Furthermore, the advertisement had come out fourteen months after the loan was approved. Wickard reminded the public of this fact in a letter to the Editor of the Washington Post in which he noted that nothing McMeekin could say could change the fact that the Rural Electrification Administration and the Central Electric Power Cooperative had "entered into a binding loan contract."[138]

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[134] The News and Courier (Charleston, South Carolina, June 2, 1950, 5-A; New York Times, June 2, 1950, 16.

[135] The News and Courier, June 2, 1950, 5-A.

The Administrator also presented his case regarding the Santee Cooper and other loans to cooperatives for generating and transmission in his agency's annual report for fiscal 1950:

> Loans of this character are not unusual in the rural electrification program. In fact, similar arrangements were made with commercial power companies in North Dakota and Iowa. With ample supplies of

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[136] New York Times, June 2, 1950, 16.

[137] News clipping, letter, Wickard to Editor, Washington Post, June 19, 1950, S.C. Santee Cooper folder, Office Files of Riggs Sheppard, 1946-53, R.G. 221, N.A.; New York Times, June 2, 1950, 16.

[138] News clipping, letter, Wickard to Editor, Washington Post, June 19, 1950, S.C. Santee Cooper folder, Office Files of Riggs Sheppard, 1946-53, R.G. 221, N.A.

> lower-cost power, the cooperatives will be able to extend central-station electric service to thousands of unserved rural people and to serve their present consumers more adequately.

As to the attacks that had been made on these loans, the report characterized them as

> . . . part of the campaign which has been undertaken to deprive cooperatives and public bodies of their statutory preference to federally generated power and to monopolize for the commercial companies the power produced by Federal projects. In this connection, the utility industry is sponsoring and financing a Nation-wide propaganda program.[139]

In its effort to combat McMeekin's attack, the Central Electric Power Cooperative placed a full page advertisement in the Columbia, South Carolina _News and Courier_. Entitled "Thanks Mr. McMeekin, But We Don't Trust You. Why?" the advertisement stated that the cooperatives were not fooled by the proposed rate reduction. They believed that the 5.5 mill rate would be only a temporary measure designed to keep them from getting a transmission system to the public power projects. It is well known, the cooperatives charged, that if the public power projects had not been built, South Carolina Electric and Gas Company would still be charging cooperatives 2 cents per kilowatt hour. Continued the ad:

> The farmers of South Carolina haven't forgotten that only a few years ago before Rural Electrification Administration, if a group of farmers wanted power in the country, they had to build their own lines at a cost of $2,000 to $3,000 per mile, pay the power companies to maintain them and pay rates of 3¢ to 6¢ per KWH.

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[139] _Annual Report of the Administrator of the Rural Electrification Administration, 1950_, 21; see also 20.

Regarding the threat to the private company, the cooperatives asked how a $100,000,000 combine could be wrecked by losing one per cent of its total business and concluded with the caustic remark, "Mr. McMeekin, you scare mighty easy."[140]

Despite these rebuttals, McMeekin found support for his position. Most of the newspapers in the state supported it as did a majority of representatives in the South Carolina House of Representatives.[141] Several American Federation of Labor and Congress of Industrial Organization locals also joined the chorus opposing the loan and construction of the transmission lines, a move that seemed to be part of the general trend in which segments of organized labor were beginning to oppose public power.[142]

However, few office seekers for Federal or state positions in South Carolina seemed willing to come out against the loan for fear such a stand would hurt them in the November elections. An exception was former Secretary of State James F. Byrnes, who, campaigning for governor, sharply criticized the "socialistic nature of

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[140] The News and Courier, June 4, 1950, 5-A.

[141] Public Utilities Fortnightly, July 6, 1950, 21; The News and Courier, June 5, 1950, 4.

[142] See Chapter IV above; Public Utilities Fortnightly, June 22, 1950, 847, July 6, 1950, 31; remarks, Claude R. Wickard, prior to power panel, June 12, 1950, Office Files of Claude R. Wickard, 1947-49, R.G. 221, N.A.

R.E.A.'s policies."[143]

Furthermore, the action of the South Carolina House of Representatives had little effect. The Rural Electrification Administration and the cooperatives brushed off the resolution with the former saying that the planning of the lines had gone too far to stop and the latter that it would not defer building "to please the whim of a few politicians," while Santee Cooper said nothing.[144] Hence construction of the lines went forward.

IV

This Rural Electrification Administration loan to a "super-cooperative" in the Southeast, as well as loans being made to generating and transmission cooperatives in the Southwest, created pressure from private power proponents for Congress to investigate the process as well as the agency itself. The Rural Electrification Administration encountered little difficulty in getting funds from Congress in 1949 or 1950. It obtained its request for direct electrification loan authorization of $350,000,000 with another $150,000,000 made available if needed for both fiscal years 1950 and 1951.[145] However, in 1950, the

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[143] The News and Courier, June 5, 1950, 4; Public Utilities Fortnightly, June 22, 1950, 847-48.

[144] Public Utilities Fortnightly, June 22, 1950, 847-48.

[145] Senate, Appropriations, Budget Estimates, Etc., 81st Cong., 2d sess., 145; Senate, Appropriations, Budget Estimates, Etc., 81st Cong., 1st sess., 27; Electrical World, April 3, 1950, 4-5, September 4, 1950, 13;

Government Operations Subcommittee of the House Committee on Expenditures in the Executive Departments was given the task of investigating the Rural Electrification Administration. It found little to criticize about the Administration, with the exception of the practice of making loans to "super-cooperatives," which it decided needed further study. After considerable questioning of Claude Wickard and discussion of the subject, the House Agriculture Committee in May 1951 announced plans to make a complete investigation of the Rural Electrification generating and transmission loans.[146] In the same year, the executive office of the President cut the Rural Electrification Administration's loan fund request from the amount asked for and received over the past two years to a flat $100,000,000. In his annual budget message President Truman gave as his reason for proceeding more slowly with the program, the "shortages of metals, particularly aluminum and copper."[147] The pro-private power

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Congressional Quarterly, V (1949), 186; Annual Report of the Administrator of the Rural Electrification Administration, 1950, 3; Annual Report of the Department of Agriculture, Administrator of Rural Electrification Administration, 1951 (Washington, D.C., 1952), 6.

[146] Public Utilities Fortnightly, September 14, 1950, 365-66, May 10, 1951, 629; U.S. Congress, House of Representatives, Hearings before the Committee on Agriculture, Activities of the Department of Agriculture, 82d Cong., 1st sess. (Washington, D.C., 1951), 117-48.

[147] "Annual Budget Message to the Congress: Fiscal Year 1952," January 15, 1951, Public Papers: Truman, 1951, 89; Electrical World, January 22, 1951, 4.

Electrical World interpreted the President's further statement that the reduction would require some curtailment of loans for new facilities as an "implied warning against loans for generating and transmission."[148]

A more realistic explanation for the cut, however, was that defense requirements for the Korean War were causing real problems in allocation of materials. In early 1951 the Defense Electric Power Administration and the Department of Agriculture were involved in a quarrel over a system for allocating materials such as copper and aluminum for power generation, transmission and distribution. Basing its case on the fact that for farmers to make a maximum contribution to the production of food during this period of armed conflict, the Department of Agriculture, particularly through the Administrator of the Rural Electrification Administration, was trying to get authority from the Defense Electric Power Administrator (who happened to be Clifford B. McManus, former president of a private utility holding company) to make a lump allocation of these materials to the Rural Electrification Administration. The agency, in turn, would distribute them as it saw fit to the cooperatives.[149] Agriculture officials, however, were making no headway with these efforts.

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[148] Electrical World, January 22, 1951, 4.

[149] Letter, Brannan to Chapman, February 2, 1951, Secretary of Agriculture, General Correspondence, Power-1, 1945, 1947-52, Records of the Office of the Secretary of Agriculture, R.G. 16, N.A.; Public Utilities Fortnightly, May 10, 1951, 628-29; New York Times, March 30, 1951, 40.

The rural cooperatives began to get impatient. Clyde Ellis, executive secretary of the National Rural Electric Cooperative Association, reported to Chapman that he had received "numerous complaints" from cooperatives about McManus who was "listening too much to private power interests" and urged the Secretary to make a decision immediately. The president of the same organization, Clark T. McWhorter, wrote the President, urging him to give the responsibility for materials controls for the rural electrification program to the Rural Electrification Administration. The cooperatives complained that the Defense Electric Power Administration was "stacked with power company people" and that McManus's advisor was J. E. Moore of Electric Bond and Share who had participated in killing several generating and transmission cooperatives during World War II.[150]

McManus had wanted the cooperatives to put their requests for materials with his agency, and he would process them in order of emergency, while Wickard insisted this procedure would slow up Rural Electrification Administration construction too much. Private power countered that their building was also being delayed.[151] McManus firmly declared that he would pass on all Rural Electrification Administration "super-cooperative" loans costing over $50,000 and stop any projects that would duplicate private power company facilities. To this, public power advocates retorted that since private power had failed to stop some generating and transmission loans, McManus instead could "blockade material" and prevent cooperatives from getting low cost electric power in that way.[152]

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[150] Letter, Ellis to Chapman, March 19, 1951, File 1-310, Administrative General, Power Development, Administrative, Part 10, R.G. 48, N.A.; letter, McWhorter to Truman, February 6, 1951, Secretary of Agriculture, General Correspondence, Power-1, 1945, 1947-52, R.G. 16, N.A.

Wickard's insistence that he could agree to no other proposal than that advanced by the cooperatives, along with pressure from the cooperatives themselves and backing from Secretary of Agriculture Brannan induced Chapman to fire Moore and to sign a memorandum of agreement with the Secretary of Agriculture. This accord stated that since "rural electrification is essential for defense and essential civilian needs," rural electrification cooperatives would be allowed to pool their share of construction materials through the Rural Electrification Administration. Under the agreement, the Defense Electric Power Administration would delegate authority to the Rural Electrification Administration to supervise the controls program for its borrowers.[153] This important victory enabled the Rural Electrification Administration to carry its program forward during the Korean conflict.

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[151] New York Times, March 30, 1951, 40.

[152] "Farmer's Union in Washington," a Weekly Report of the National Farmer's Union, Vol. 3, No. 43, March 2, 1951 in Administrative General, Preparedness, 1-188, Controlled Materials, Part 2, May 22-June 6, 1951, R.G. 48, N.A.

All in all, this agency withstood attacks from private power and its sympathizers quite well. The House Agriculture Committee investigating its practice of generating and transmission loans decided to withhold further action until settlement in the Federal District Court of the suit brought by the midwest private utilities to enjoin the Rural Electrification Administration from making such loans to five generating and transmission cooperatives. Furthermore, bills that would have required Congressional approval of each such loan did not reach the floor of either House. Although the Government's requests for Rural Electrification Administration loan authorizations for fiscal years 1952 and 1953 were smaller than they had been in the two previous years because of defense needs in other areas, Congress did allow nearly the full amount requested. For fiscal 1952, the full $100,000,000 loan authorization asked for was granted. However, the additional $100,000,000 budgeted to be contingent on request was cut in the Senate to $75,000,000. For fiscal 1953, the Administration asked for only $50,000,000 in loan authorization funds since it had a carry-over sufficient to bring the amount up to the previous year's grant. Both this request and the $50,000,000 asked for in the contingent authorization were honored by Congress.[154]

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[153] Letter, Brannan to Chapman, February 2, 1951, Secretary of Agriculture, General Correspondence, Power-1, R.G. 16, N.A.; memo of Agreement between Secretary of Interior and Secretary of Agriculture, April 14, 1951, letter, Wickard to Chapman, March 13, 1951, notes on conversation with Gordon Clapp, March 13, 1951, notes on conversation with Charles Murphy, March 13, 1951, letter, Wickard to Chapman, undated, Office Files of Secretary of the Interior Chapman, 1933-53, R.G. 48, N.A.; Annual Report of the Administrator of the Rural Electrification Administration, 1951, 19.

Furthermore, the sharp decline in rural electric loans made by the Rural Electrification Administration in fiscal years 1951 and 1952 was to be expected as backbone central station facilities in more and more rural sections were completed. A record amount ($136,000,000) was loaned for generating and transmission facilities during fiscal 1950. These loans decreased to $51,159,000 during fiscal 1951, but in the following year this amount went up again to $61,387,000, or 37 per cent of all the loans made during the year.[155]

The agency could point with pride to a record that showed nearly 88 per cent of the farms in the nation receiving electric service on June 30, 1952 as compared with 53 per cent on June 30, 1946, 60 per cent at the end of fiscal 1947 and nearly 70 per cent on June 30, 1948.[156]

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[154] Public Utilities Fortnightly, January 4, 1951, 36-38; U.S. Congress, Senate, Agriculture Department Appropriations Bill for 1952, Hearings before a Subcommittee of the Committee on Appropriations on H.R. 3973, 82d Cong., 1st sess. (Washington, D.C., 1951), 784; U.S. Congress, Agriculture Department Appropriations Bill for 1953, Hearings before a Subcommittee of the Committee on Appropriations on H.R. 7314, 82d Cong., 2d sess. (Washington, D.C., 1952), 573; Public Law 135, Statutes at Large, LXV (1951), 239; Public Law 451, Statutes at Large, LXVI (1952), 349; Senate, Appropriations, Budget Estimates, Etc., 82d Cong., 1st sess., 54, 564.

[155] Annual Report of the Department of Agriculture, Administrator of Rural Electrification Administration, 1952 (Washington, D.C., 1953), 10; Annual Report of the Administrator of the Rural Electrification Administration, 1951, 6, 9.

A good deal of credit for the success of the Rural Electrification Administration and the cooperatives in their fight against the attack by private power during this period, especially with regard to generating and transmission loans and to the allocation of materials controversy, could be ascribed to the hard work of Clyde Ellis in getting across the view of the cooperatives to Congress and the public and to the dedication of Administrator Claude Wickard. The President also contributed by consistently supporting rural electrification. For example, in reply to a complaint from a personal acquaintance, Dr. Harry Field Parker of Warrensburg, Missouri, that a local company (the Missouri Public Service Company) of which he was a director and an investor was threatened by Southwestern Power's plan to borrow money from the Rural Electrification Administration to build transmission lines and steam generating plants, Truman wrote:

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[156] United States Department of Agriculture, Report of the Administrator of the Rural Electrification Administration, 1946 (Washington, D.C., 1946), 13; United States Department of Agriculture, Report of the Administrator of the Rural Electrification Administration, 1947 (Washington, D.C., 1947), 5; New York Times, March 11, 1952, 38; "Annual Message to the Congress on the State of the Union," January 7, 1953, Public Papers: Truman, 1952-53, 1149.

> Naturally I understand the view point of the private power boys and to be frank with yo[illegible] I am not in accord with their viewpoint. I am sure that the program which the Rural Electrification Organization is trying to inaugurate in Missouri will help rather than hurt them.[157]

Expressing his general views on power policy in a message sent to the Annual Meeting of the National Rural Electrification Cooperative Association in March 1952, Truman repeated what he had said many times before:

> . . . when electric power is produced with the people's money it ought to be used for the benefit of the people and not for the benefit of private power companies.

This, he said, was the policy upon which the Federal government was operating and the policy that private power interests were attacking. Then, going on to rural electrification, the President remarked:

> This policy recognizes the long-established right of each American community, rural or urban, to undertake its own electric services in a cooperative or municipal basis, or to permit a private agency to perform that service under public regulation.[158]

In this speech Truman held that private power had at first attacked the yardstick and the valley authority concepts of public power policy and, having been unsuccessful, had turned to attacking the preference clause of this policy. However, to many on the private power side of the controversy, theirs was a struggle for survival. For this reason, private utility representatives and sympathizers tried to destroy one government power agency and prevent the establishment of another, challenged the right of government to build transmission lines and steam generators, attempted to execute contracts with Interior on their own terms and tried to stop the practice by the Rural Electrification Administration of making loans to cooperatives for the purpose of building steam and transmission facilities.

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[157] Letter, Dr. Harry Field Parker to President Truman, June 6, 1950, President Truman to Parker, June 13, 1950, O.F. 293, Truman Papers, T.L.

[158] Special Message from the President to the NRECA Annual Meeting, Chicago, March 12, 1952, 1948-53 folder, O.F. 375, Truman Papers, T.L.

V

Who was the winner in this aspect of the public versus private power fight? Undoubtedly, both sides gave ground; for, obviously this was a period when each found it expedient to cooperate with the other.

In the Southwest, the Texas Power and Light Company had compromised as early as 1947, when it executed a contract with the Government which preserved the preference clause and other Government power policies. The private utility took this action when it saw that it would no longer be possible to buy Federally-generated power at the bus bar. Although private power sympathizers in the Eightieth Congress had nearly succeeded in abolishing the Southwestern Power Administration, the elections of 1948 helped save it. At the same time, Congress began voicing more strongly the opinion that wheeling contracts should be executed if possible so that government would not have to build generating and transmission facilities.

However, because the new, more public power minded Congress was willing to appropriate funds for transmission lines to be built by the power agency, the two Oklahoma companies perceived the wisdom of negotiating on the Government's terms. Thus, in the contracts signed with them, the public power principles laid down in the Ickes memorandum of 1946 and in the 1944 Flood Control Act and related statues were maintained. Even so, these agreements represented a compromise for Interior, as well; for, it, like the National Rural Electric Cooperative Association, would have preferred government-built transmission lines to being placed at the mercy of a private utility. Furthermore, the contracts in effect set a precedent that was more pleasing to private power than to public power. Thenceforth, Congress would pressure Interior to make such agreements before being allowed to use monies appropriated for transmission lines. Although the two Oklahoma contracts did seem to set a precedent for the other Southwestern companies which apparently offered to sign the same kind of contract, the Interior Department delayed signing.

In the Southeast a similar pattern developed. Private power advocates in Congress pressured the Government to negotiate with private companies in the area to wheel Federally generated power for the account of the Government. However, Interior, through the Southeastern

Power Administration, refused to accept an offer by the Georgia Power Company because it did not adequately protect public power policy. The Virginia Electric and Power Company finally agreed to negotiate on terms acceptable to the Government in the Buggs Island transmission line case. Once this victory was achieved, as private power companies appeared more willing to cooperate and as pressure from Congress to negotiate increased, Interior again, as it did in the Southwest, resisted without always being able to stand on principle. In the Clark Hill-Greenwood line issue, as in the case of the contract offer by the twelve Southwestern companies, the Department employed delaying tactics in what appeared to be an effort to decelerate, if not halt, the trend toward public-private power cooporation. For by its declaring the South Carolina Electric and Gas Company "unaffected" and failing to so inform it, Interior gave the impression of merely aiming to extend public power as its critics charged and, furthermore, of using devious means to do so.

Regarding efforts to lease facilities and purchase power from generating and transmission cooperatives, the result in the Southwest was close to an impasse for public and private power. Loans were made for such purposes by the Rural Electrification Administration, and contracts were executed between the Southwestern Power Administration and "super-cooperatives." On the other hand, private power proponents persuaded Congress to limit the amount that could be used from the continuing fund for this purpose, and a pending court case made it uncertain whether the practice was legal.

In the Southeast, the Rural Electrification Administration successfully warded off attacks from private power. Loans continued to be made to generating and transmission cooperatives, and the Santee Cooper loan, in particular, went ahead despite a vigorous and costly newspaper campaign by a large private utility, pressure from the State Legislature and opposition from elements of organized labor. Through its perseverance, the Administration also won out in its efforts to gain authority to make lump allocations of building materials in the period of the Korean War so that its program could go forward.

Although he could have done more, President Truman helped to achieve whatever success public power could claim during this phase of the struggle. He asked Congress for appropriations to further these programs for steam and transmission facilities and rural electrification administration activities and in other ways supported them both publicly and privately.

Secretaries of the Interior Krug and Chapman can be credited with much of the success. Both men fought hard to win the kind of contracts that would uphold these principles and steadfastly refused to execute agreements that did not. The Texas Power and Light Company and the two Oklahoma companies contracts adequately protected them. The

Georgia Power Company offer did not; therefore, this draft agreement remained unsigned on Chapman's desk when he left office. In negotiations with the Virginia Electric and Power Company regarding the transmission of Buggs Island power, Chapman again held firm, despite pressure from Congress. He honored the Senate's wishes that he try to execute a contract before beginning the Langley Field line, but when the company refused to meet Government wheeling standards, he ordered work to commence. In further negotiations with the company when appropriations for other lines from the project were being considered, the Secretary succeeded in getting the private utility to agree to wheeling principles that conformed with Government power policy. However, in his dealings with the twelve Southwestern power companies and with South Carolina Electric and Gas and Duke Power Companies, Chapman gave the impression of being a poor loser by, in the one instance, delaying the signing and in the other, using questionable methods and reasons for refusing to execute a contract.

Southwestern Power Administrator Douglas Wright was much more anxious to cooperate with private power than was his superior. His reason may have been partly to satisfy his own personal ambitions. His public utterances praising drafts of contracts that he had worked out undercut the Secretary and made it more difficult for Interior to obtain appropriations from Congress for generating and transmission facilities.

Southeastern Power Administrator Ben Creim and the man who succeeded him upon his illness and death, Charles Leavy, were more effective and devoted officials in the public power cause. Both proved hard bargainers with Georgia Power Company, Virginia Electric and Power Company and other private utilities in the area.

The Rural Electrification Administration chief, Claude Wickard, energetically and successfully fought off attacks by private power against its practice of making loans to "super-cooperatives," and against its desire to allocate materials to cooperatives during the Korean conflict.

All in all, Truman Administration officials devoted to public power principles won more than they lost in this phase of the struggle between public and private power, but they had had to make a number of compromises along the way.

CHAPTER VI

THE REMAINING CHOICE POWER SITES

An important aspect of the public versus private power fight during the period 1949 to 1952 centered about four major power sites still undeveloped or only partially developed. Viewing these locations as integral parts of Federal comprehensive river basin development plans or, in one case primarily as a potential source of large amounts of hydro-electric power, public power advocates in the Administration worked to obtain authorization for Government construction of power plants on them and to distribute electrical energy generated at such projects in a manner consistent with Federal power policy. Opposing such efforts were private power interests who sought the right to develop these sites themselves and to direct the sale and distribution of the resultant hydro-electric power on their own terms.

A characteristic of this phase of the struggle was executive branch "in-fighting," which in this case involved friction between the Interior Department and the Federal Power Commission--the body to which private utilities had to go for licenses to develop these locations. The prizes for which the public and private power antagonists fought were Kings River in the Central Valley of California, Roanoke Rapids on the Roanoke River in Virginia and North Carolina, Hells Canyon on the Snake River between Oregon and Idaho and the Niagara River in New York.

The Kings River project had earlier been a source of conflict between the Corps of Engineers and the Bureau of Reclamation. In 1937 both agencies were asked by a local water users' association to investigate the Kings River area with the apparent purpose of determining which one would come up with a plan most beneficial to its members at the least cost. Despite President Roosevelt's attempts in 1939-40 to avert the publication of two separate reports, each agency sent its own study to Congress. The two plans revealed the contrasting philosophies of the Bureau and the Engineers. While the former agency viewed the Kings River development as part of a comprehensive plan for the whole Central Valley, the latter looked at the area almost entirely in terms of local flood control. The Bureau's proposal included electric power development with government-built transmission lines connecting with other portions of the Central Valley project. The Engineers' plan, on the other hand, envisaged no hydro-electric construction; rather it provided for such development later by private enterprise.[1]

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[1] David B. Truman, The Governmental Process, 412-13; Maass, Muddy Waters, 210-21.

Although President Roosevelt decided in 1940, on the basis of the dominant interest theory, that since the project was concerned mainly with irrigation, the Bureau of Reclamation should build and operate it and so informed the Secretary of War, the Corps, because of its close relationship with Congress, did not feel obligated to alter its position. This lack of coordination within the executive branch resulted in more confusion. The Secretary of Interior authorized the Bureau to build the project under reclamation law, and Congress gave the Corps the right to construct it by the Flood Control Act of 1944. However, neither agency could commence work without an appropriation from Congress. The President's budget for fiscal 1945 called for such a grant for the Bureau, but Congress denied the request and instead included an appropriation for development of the Kings River area in the War Department Civil Functions Bill.[2]

Having inherited this conflict when he became President in 1945, Truman asked the Secretary of War to grant the Department of Interior the opportunity to participate in the development of the Kings River and to negotiate irrigation repayment contracts before building commenced. Such a step, said the President, would conform with Section 8 of the Flood Control Act of 1944, which provided that irrigation portions of Corps of Engineers projects be planned, built and run by the Bureau according to reclamation law. Then Truman impounded the funds appropriated for the project in 1946 until the Engineers and the Bureau could agree on allocation of costs and negotiation of repayment arrangements. The two agencies came to terms on February 17, 1947, and construction began soon thereafter.[3]

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[2] David B. Truman, The Governmental Process, 413-15; Maass, Muddy Waters, 221-40.

In 1949 President Truman directed that the "Folsom formula,"[4] which required all multiple purpose projects to be placed under the responsibility of the Bureau of Reclamation and all exclusively flood control enterprises under the jurisdiction of the Corps of Engineers, be applied to all Central Valley projects. To implement this policy, he suggested that all multiple purpose enterprises then under construction in the valley by the Corps be transferred to the Bureau.[5]

In the meantime, the Pacific Gas and Electric Company, in January 1948, applied to the Federal Power Commission for a license to build and operate three hydroelectric projects to be located on the North Fork of the Kings River, on Kings River and on Helms Creek. In a second application, the private utility company requested permission to enlarge the Balch Powerhouse, which it had built on the North Fork of the Kings River in 1922. In February 1945, the Fresno Irrigation District of Fresno, California had also filed an application with the Commission for a preliminary permit to build a hydro-electric project on the Kings River. On April 6, 1948, the Federal Power Commission issued an order consolidating all of these requests.[6]

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[3] Maass, Muddy Waters, 240-50.

[4] For a more complete explanation of the "Folsom formula," see Chapter IV, above.

[5] Maass, Muddy Waters, 251.

That the stage was now set for another round in the fight between public and private power, as represented by the Department of Interior on the one side and Pacific Gas and Electric Company on the other, was revealed in a letter Secretary Julius Krug wrote on May 11 to the Federal Power Commission Chairman, Nelson L. Smith. Responding to Smith's invitation to comment on the private utility's application, Krug replied that the plans of Pacific Gas and Electric were "in direct conflict with long-standing plans of the Department of Interior, in certain respects dating back to the year 1902."[7]

The Secretary listed a number of reasons for his opposition. Firstly, Bureau of Reclamation reports made in 1901, 1903, 1904 and 1916 had shown the Kings River area to be part of that agency's plan for over-all comprehensive development of the Central Valley Basin. Secondly, the sites that Pacific Gas and Electric Company was asking to develop were essentially the same as those presented to Congress in 1940 by the Bureau in its plan for development of the Kings River. Thirdly, the Pine Flat Dam, being built by the Corps of Engineers as authorized under the Flood Control Act of 1944, was essential for economical construction by any party of power plants on the North Fork of the Kings River because its reservoir would regulate the flow of water from the entire stream to meet downstream irrigation demands. Therefore, according to Krug, to allow a private power company to capitalize on this Federal investment "would be inconsistent with public policy and opposed to sound Federal administration."[8]

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[6] Project No. 175, Pacific Gas and Electric Company, Formal, January 1, 1948 to August 4, 1948, Part 3, File 100-2, Federal Power Commission Files, Washington, D.C. (hereafter cited as F.P.C. Files); Release No. 3630, January 22, 1948, U.S. Federal Power Commission Press Releases, 1948, ibid.; Annual Report of the Federal Power Commission, 1948 (Washington, D.C., 1949), 34.

[7] Letter, Krug to Smith, May 11, 1948, Project No. 175, Pacific Gas and Electric Company, Formal, January 1, 1948 to August 4, 1948, File 100-2, F.P.C. Files.

The Federal Power Commission opened hearings on the license application on May 17, 1948 in Fresno. Unconvinced by the arguments presented by the Secretary of Interior in his May 11 letter, the Commission's staff counsel maintained that the "United States itself need not undertake the development of the water resources involved for public purposes."[9] The staff attorney argued that although the Secretary of Interior held that the public would receive power benefits from Kings River resources only through the use of Pine Flat Dam, the Chief of Engineers, whose agency was authorized by Congress to construct that facility, did not object to the license being issued to Pacific Gas and Electric Company if it would reimburse the Government for reservation of power storage in Pine Flat, and, he added, the company had so agreed. Secondly, he maintained that the private utility had offered to supply energy at cost for irrigation and pumping from Shasta and Keswick by transferring energy between it and the Bureau. The Federal Power staff counsel also reasoned that the company's proposal to develop the North Fork of the Kings River fitted into the comprehensive plan for developing the area if the company and local groups could agree on joint use of the water for power and irrigation. Furthermore, he charged that one reason the Bureau wanted to build the projects was to use the power revenue to subsidize irrigation projects that the Bureau itself admitted were not economically feasible.[10]

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[8] Ibid.

[9] Brief of Commission Staff Counsel on Projects 1925, 175, 1988 and 1990 before the FPC, August 4, 1948, ibid.

At these proceedings the Commission had before it applications by both a municipality (the Fresno Irrigation District) and a private company (Pacific Gas and Electric Company) for a preliminary permit and a license respectively for substantially identical projects. Although the

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[10] Ibid.

Federal Power Act required the Federal Power Commission to grant preference to a municipality or state in such a case, the Commission counsel got around this stipulation by pointing out that the law also stated that the Commission must be satisfied that the public body could present a well-formulated plan. This, the Fresno Irrigation District had not shown it could do; hence, reasoned the attorney, the private company should be granted the license if it could reach agreement with local irrigation interests.[11]

The Bureau of Reclamation filed a brief with the examiner which replied to the Federal Power Commission's arguments. The Pacific Gas and Electric Company, it countered, had not made any firm offer to supply Shasta and Keswick energy at cost through an exchange agreement as the Commission staff counsel had claimed. Furthermore, the private utility proposal "by no means fitted into" a comprehensive plan for water resources development in the Kings River area.[12]

These arguments presented at these hearings by the staff of the Federal Power Commission and the attorney for the Department of the Interior pointed up the differing ways that Interior and the Commission--both agencies of the Federal Government--conceived of the powers of the

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[11] Ibid.

[12] Brief of Bureau of Reclamation, U.S. Department of Interior, before the FPC in the Matters of Fresno Irrigation District and Pacific Gas and Electric Company, August 21, 1948, ibid.

Federal Power Commission in such cases. This body itself believed that the Federal Power Act, especially Section 4(e) and Section 10(a), granted it "complete and final supervision over all non-Federal development of water power resources subject to the jurisdiction of Congress."[13]

The Bureau of Reclamation, an agency of the Interior Department, held that if the Federal Power Commission did not agree that the United States should develop the Kings River resources, it should then wait until Congress approved or disapproved the Bureau's plans before acting on the application.[14]

Meanwhile, the Secretary of the Interior had presented the Bureau of Reclamation's proposal for the development of the entire Central Valley Basin to the President on July 29, 1948. This plan, which was made a part of the record of the proceedings in Fresno, along with supporting evidence submitted by Bureau officials, convinced the Presiding Examiner, Maximilian G. Baron, to find in the Government's favor. On December 1, Baron recommended to the Federal Power Commission that "the development of the water resources of the Kings River Basin for public purposes and in the public interest should be undertaken by the United States itself."[15]

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[13] Brief of Commission Staff Counsel of Projects 1925, 175, 1988 and 1990 before the FPC, August 4, 1948, ibid.

[14] Brief of Bureau of Reclamation, U.S. Department of Interior before the FPC in the Matters of Fresno Irrigation District and Pacific Gas and Electric Company, August 21, 1948, ibid.

Thereupon, lawyers for Pacific Gas and Electric Company and the Fresno Irrigation District filed exceptions to the examiner's recommended decision. Interior expected such action from the parties that were vying with the Government for the right to develop the Kings River site, but when the Federal Power Commission's staff counsel followed suit, Secretary Krug became irritated. For here was a Government agency opposing the public power policies of the Administration. Writing to Chairman Smith in June 1949, Krug complained that the Commission's legal staff in its new arguments was evidencing "a hostile attitude toward the development of public power." Furthermore, in attacking the economic feasibility of the Bureau's plan by comparing its proposal's "impact on the local and Federal tax structure" with that of the private utility's plan, the counsel was employing "the conventional line of the privately owned utilities" and completely ignoring the fact that the general public would gain "substantial benefits" by the Bureau's proposed rates.[16]

One reason for this divergence of views between the Department of the Interior and the President on the one hand and the Federal Power Commission on the other was that Truman at this time was experiencing difficulty in realizing his aim to make the Commission a strong protector of the interests of the people.[17] Since the resignation of Richard Sachse on June 22, 1947, there had been a split among the four remaining members of the Commission with Chairman Smith and Commissioner Harrington Wimberly leaning toward the private power point of view and Commissioners Claude Draper and Leland Olds generally upholding the public power position. Truman had hoped to bring about a public power majority with his interim appointment of Thomas C. Buchanan in April 1948. Buchanan's confirmation was held up in the Senate in the second session of the Eightieth Congress and was not confirmed until June 1949.[18]

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[15] Letter, Krug to Smith, June 2, 1949, FPC Official Record, Correspondence, Project 1925, Part 1, F.P.C. Files; see also Press Release No. 4056, December 13, 1948, U.S. Federal Power Commission Press Releases, 1948, F.P.C. Files.

[16] Letter, Krug to Smith, June 2, 1949, FPC Official Record, Correspondence, Project 1925, Part 1, F.P.C. Files.

About this same time, the term of Commissioner Leland Olds expired. An ardent New Dealer whose concern with and support for public power went back to his days with the New York State Power Authority in the early thirties, Olds now was renominated for a third term by the President. This action sparked a lively debate in the

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[17] "Suggested Statement with Reference to Appointment of Buchanan to Federal Power Commission," October 20, 1948, letter, Truman to Harold L. Ickes, September 18, 1951, both in O.F. 235 (1948-51), Truman Papers, T.L.

[18] Letter, Jerome M. Joffee, Special Utilities and Legislative Counsel, Office of City Counselor, Kansas City, to Truman, May 16, 1949, letter, Truman to Joffee, June 22, 1949, both in O.F. 235, Truman Papers, T.L.; New York Times, June 7, 1949, 18.

Senate between public and private power proponents. Olds had incurred the wrath of natural gas producers, who included Senator Robert Kerr of Oklahoma, for his position that the Federal Power Commission under a recent Supreme Court ruling had the right to regulate the production as well as the distribution of natural gas. Private power sympathizers lined up with the natural gas interests in opposition to Olds.[19]

In the confirmation hearings held by the Senate Interstate and Foreign Commerce Committee, Olds's foes used his writings of the 1920's, which criticized capitalism, to brand him as a "radical" and a "pink." Later, speaking about Olds before the full Senate, the Chairman of the Committee, Edwin C. Johnson (Democrat, Colorado), said, "Personally, I regard him as a radical, tyrannical, mischievous, egotistical chameleon, whose predominant color is pink."[20]

Truman fought back against such charges. He sent a letter to Senator Edwin Johnson, urging that Olds be confirmed and claiming that powerful corporations that were subject to regulation by the Federal Power Commission were trying to prevent the nomination. He also defended his appointee's loyalty and fitness for the job. However, the subcommittee recommended against confirmation by a vote of 7 to 0, and the full committee did the same, voting 10-2. The President then asked William M. Boyle, Jr., Democratic National Committee Chairman, to apply party discipline. Boyle wired members of the Democratic National Committee and State Democratic officials as well as Democratic governors and mayors asking them to inform their senators that the people wanted Olds confirmed. However, the effort failed; on October 13, the Senate voted 53-15 to reject Olds. Truman then appointed an old friend, Monrad C. Wallgren of Washington, to fill the vacancy. Wallgren was confirmed quickly by the Senate on October 19, 1949.[21]

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[19] Newspaper clippings, Washington Post, July 6, 1949, O.F. 235, Truman Papers, T.L.; Congressional Record, 81st Cong., 1st sess., 1949, XCV, 14357-87.

[20] Congressional Record, 81st Cong., 1st sess., 1949, XCV, 14359.

Even though Olds had been rejected, Interior's chances for a favorable opinion on the Kings River case appeared fairly bright in the fall of 1949. The Federal Power Commission examiner had found in its favor; on August 30, Secretary Krug had sent to Congress the Bureau of Reclamation's report for the comprehensive development of the Central Valley and the new member on the Commission was expected to vote in the interests of a strong public power program.

Wallgren had been on the job only about three weeks when the Kings River vote came before the Commission. It is easy to imagine the astonishment of Interior Department officials when Wallgren joined his colleagues in a unanimous decision on November 10 to grant a fifty-year license to the Pacific Gas and Electric Company to build and operate water power projects on the Kings River, the North Fork of the Kings River and Helms Creek. A preliminary permit was also granted to the Fresno Irrigation District to investigate the proposed development of a power plant at Pine Flat Dam.[22]

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[21] New York Times, October 5, 1949, 1, October 6, 1949, 28, October 7, 1949, 1, October 9, 1949, 34; newspaper clipping, October 15, 1949, O.F. 235, Truman Papers, T.L.; Congressional Record, 81st Cong., 1st sess., 1949, XCV, 14386-87; New York Times, October 20, 1949, 8.

Public power liberals outside the Government also were astonished with the new commissioner. The Nation noted that although Wallgren had a good record on public power, his first decision showed that he had "made a poor start" as a Federal Power Commissioner.[23] Commenting that the Administration was "involved in a family question over power," columnist Doris Fleeson called the new appointee "Wrong Way Wallgren," accused him of running between his own goal posts and suggested that he could have abstained until he had had time to study the question.[24]

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[22] Newspaper clippings, The Washington Evening Star, November 17, 1949, Seattle Times, November 20, 1949, Wallgren Papers, T.L.; Press Releases No. 4501, November 10, 1949 and No. 4056, December 13, 1949, U.S. Federal Power Commission Press Releases, 1949, F.P.C. Files.

[23] The Nation, November 6, 1949, 502.

[24] Newspaper clipping, The Washington Evening Star, November 17, 1949, Wallgren Papers, T.L.

Wallgren defended his action by saying

> The Interior Department's Bureau of Reclamation came to the Commission with only a plan of something it hoped to accomplish in the distant future. The private power company had a comprehensive, basin-wide development program which would be undertaken immediately. We had no choice in the matter; the company's program was obviously a better one.[25]

In its decision, the Federal Power Commission had rejected the recommendations of its own field examiner, the California Grange and the California Federation of Labor in addition to those of the Department of the Interior. At this point, there was some difference of opinion as to just what the President's wishes were on the matter. In its arguments supporting the decision to grant the license, the Commission stated that President Truman had returned the Bureau's comprehensive plan for the Central Valley to the Secretary of the Interior on August 15 with a letter including the statement that the plans did not contain "sufficient information with respect to engineering and economic feasibility to justify their approval as a comprehensive valley plan." As a result, the opinion continued, the Secretary withdrew the Kings River power projects from the list of projects for which he was asking authorization from Congress. Therefore, the Commission was being asked to refuse the license to save the site for the Government on the chance it "should sometime in the future come up with a more economic plan."[26]

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[25] Newspaper clipping, Seattle Times, November 20, 1949, ibid.

Secretary Chapman immediately filed an application for a rehearing and intervention. In his petition he argued that the Commission had erred in its interpretation of Truman's August 15 letter. The President, said Chapman, had not intended to veto Federal development of the Kings River. Rather, he had concluded that the Pine Flat hydroelectric plant should be built and run by the Bureau of Reclamation and that other proposed works on the Kings River should be used as an inventory to be authorized according to the Folsom formula when found feasible. Furthermore, the Secretary pointed out, he himself was not giving up the North Fork projects but would be submitting a detailed report on them in the near future to the President and Congress. In January 1950 Chapman was granted the intervention which allowed review before a court of appeals if he so desired.[27]

The new round of the fighting over Kings River began in mid-March 1950. With the rehearing soon to open before the Federal Power Commission, the Director of the

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[26] The Nation, November 6, 1949, 502; Press Release No. 4501, November 10, 1949, U.S. Federal Power Commission Press Releases, 1948, F.P.C. Files.

[27] Application for Rehearing before the Federal Power Commission in Matters of Fresno Irrigation District and Pacific Gas and Electric Company, Project No. 1925 and Project Nos. 175 and 1988, December 9, 1949, Project No. 175, Pacific Gas and Electric Company Formal, October 1949 to December 1949, Part 6, File 100-2, F.P.C. Files; Electrical World, January 23, 1950, 13.

Bureau of the Budget on March 17 approved for submission to Congress the Secretary of the Interior's plan for development of the waterway as part of the Central Valley Project. In his letter to the Secretary, the Budget Director said

> The President has authorized me to reiterate that it has been and remains his view that the Federal Government must continue to undertake and accomplish development of the water resources of the Central Valley Basin, including those of the Kings River, as the improvements are found feasible on the basis of detailed project reports, if their optimum and coordinated development for power, irrigation, flood control, navigation and other beneficial uses is to be achieved consistent with a sound comprehensive plan.[28]

On March 20, the Department of the Interior's detailed planning program for the Kings River was sent to Congress. On that same day all parties involved in the Power Commission proceedings submitted new briefs but agreed that no one would present new evidence. About the same time, Representative Cecil White (Democrat, California) introduced in Congress H.R. 5264, a bill to authorize the development of Kings River by the Department of Interior, and so informed Secretary Chapman.[29]

On April 13, 1950, Chapman made an unprecedented personal appearance before the Federal Power Commission to present the Department's case. He was doing so, he explained, because "a final decision in this Kings River power case will have a vital effect on continuing or reversing a national power policy to which this government is committed." Despite his earlier agreement that no new evidence would be presented, Chapman asked that the letter of March 17 to him from Budget Director Pace setting forth Truman's position be put into the record. He apparently did this in order to correct what he saw as an earlier misinterpretation of the President's views by the Commission.[30]

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[28] Letter, Frank Pace, Jr., Director, Bureau of the Budget, to Chapman, March 17, 1950, Roundup of Information and Opinion, 1950-51, P.W.R.P.C. Records, T.L.

[29] Christian Science Monitor, March 21, 1950, 11; San Francisco Chronicle, March 23, 1950, 18; Public Utilities Fortnightly, April 13, 1950, 496-98, July 6, 1950, 32; letter, Cecil White to Chapman, March 16, 1950, Project 175, Pacific Gas and Electric Company, Formal, Part 6, File 100-2, F.P.C. Files.

It looked as though the Administration planned to put up a vigorous fight. Some observers saw further evidence of this determination in Truman's appointment on May 24 of Monrad Wallgren to be Chairman of the Federal Power Commission. Under Section Three of Reorganization Plan Number Nine of 1950, the President, rather than the Commission members, now filled this post. Furthermore, the chairman now had more authority than had previous chairmen. He could choose and direct the staff; whereas, former administrators had had mainly parliamentary authority.[31] Private power exponents viewed the new regulations as "a challenge to FPC's traditional independence" and the

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[30] Public Utilities Fortnightly, April 13, 1950, 498.

[31] Executive Order, May 24, 1950, newspaper clipping, New York Herald Tribune, December 8, 1949, both in O.F. 235, Truman Papers, T.L.

President's choice of a personal friend to head the Commission as an effort to strongly bind that body to the executive branch.[32]

At the same time, Nelson Smith's term on the Commission was about to expire. Here was an opportunity for Truman to replace a man whom natural gas and electric power interests wanted to stay with someone more sympathetic to the public power view. The Nation urged the President to find a Republican (as required by law to keep the party balance on the Commission) who was more sympathetic with the regulatory functions of the body and who had the goal of making available cheap, public power.[33] However, in this case, Truman did not seize the opportunity to remold the Commission into a body more consistent with his views on power regulation. Two days after naming Wallgren as chairman, the President nominated Smith for another six-year term. It is not clear why he chose this course. Perhaps he felt it would balance off the criticism he was receiving from conservative sources regarding his appointment of Wallgren to the top spot of the Commission. In addition, the reports that Speaker Rayburn pressured Truman to renominate Smith on the grounds that representatives of oil interests in Congress who wanted Smith to remain could jeopardize the President's program in the House may have been accurate.[34]

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[32] Electrical World, July 3, 1950, 70.

[33] Newspaper clipping, The Washington Evening Star, May 26, 1950, Wallgren Papers, T.L.; The Nation, May 13, 1950, 434-35.

Despite these Administration efforts, Interior's prospects for gaining the right to develop the Kings River did not appear bright in the summer and fall of 1950. Congressman White's bill seemed sure to die in the House Public Lands Committee. Private power proponents viewed the bill both as an attempt by the Department to pressure the Federal Power Commission to find in its favor at the rehearing, as well as a move to help White in the November Congressional race in California. The Public Lands Committee asked the Power Commission to give its opinion on the matter, but the Chairman (Wallgren) refused, saying it would be improper to do so while the Commission was considering the license application.[35] When the elections were over, the Department of the Interior had lost not only White from its small band of faithful Congressional supporters of its Central Valley policy but also Helen Gahagan Douglas. In his effort to be returned to his seat in the House, White had made development of Kings River by the Bureau of Reclamation a main plank in his platform. In her attempt to move to the Senate from the House, Mrs. Douglas, who lost out to Republican candidate

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[34] Newspaper clipping, The Washington Evening Star, May 26, 1950, Wallgren Papers, T.L.; The Nation, May 13, 1950, 434-35.

[35] Public Utilities Fortnightly, June 8, 1950, 781, July 6, 1950, 32.

Richard Nixon, had also supported the White proposal and had introduced a similar bill herself.[36]

Some hope for Interior came in December with the report to Truman by the President's Water Resources Policy Commission. The publication appeared to support the Department's position both on the Kings River case in particular and on the general question of whether the Federal Power Commission should grant licenses to private power companies to develop such sites that would otherwise be included as part of a Federal comprehensive river basin development plan. Shortly after the report was presented to the President, Leland O. Graham, Regional Counsel for the Bureau of Reclamation, called the Policy Commission's finding on this matter to the attention of the Federal Power Commission and sent copies to the Fresno Irrigation District and the Pacific Gas and Electric Company.[37]

The portion of the study to which Graham referred included the following statement:

> The maximum utilization of our national resources requires comprehensive development which includes not only low-cost power, but such other benefits as watershed management, flood control, navigation, irrigation, and contributions to fish, wildlife and recreation.

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[36] Ibid., December 7, 1950, 828; Mayer, The Republican Party, 479. In Congresswoman Douglas' case, her opponent's charge that she was receiving substantial Communist support gained more attention than did public power issues.

[37] Letter, Leland O. Graham to Leon M. Fuquay, Secretary, Federal Power Commission, December 18, 1950, Official Record, File Series P-1925, Correspondence, Part 1, F.P.C. Files.

For this reason, it continued,

> . . . there should be some link between Federal responsibility for power development in connection with basin programs and the authority to license private developments in the same streams.[38]

This link was present during the first ten years after the Federal Power Act was passed, according to the report. In two veto messages as early as 1912 President Taft had expressed the view that licenses should not be granted for private power development on any river where the Federal Government was building or planning to build a comprehensive program unless approved by "the responsible river basin agency."[39]

Therefore, recommended the President's Water Resources Commission,

> No licensing of private power projects which interfere with the full accomplishment of comprehensive multiple purpose development of river basins, including marketing of the power incident to such programs in accordance with the purpose of Congress, should be permitted. To assure the carrying out of this recommendation no new licenses should be issued unless approved by the responsible river basin commission. This is in accord with the recommendation of the Hoover Commission Task Force on Regulatory Commissions.[40]

In response, the general counsel for the Pacific Gas and Electric Company argued that the Commission should take no note of these findings because the Policy

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[38] A Water Policy for the American People: The Report of the President's Water Resources Policy Commission, 1950, I, 238.

[39] Ibid.

[40] Ibid., 245.

Commission had authority only to make recommendations to the President. It could neither pass nor repeal laws. Furthermore, he said, no river basin commission had been established, although two years had elapsed since the Hoover Task Force recommendations were made. Therefore, the advice of the Water Resources Policy Commission on this matter could only refer to future legislative action.[41]

The Federal Power Commission apparently was not influenced by the study. Approximately one year later--on December 21, 1951--it reaffirmed its decision of November 10, 1949 granting a license to Pacific Gas and Electric Company for hydro-electric development in the Kings River Basin, amending that company's license so that it could enlarge its Balch plant and authorizing a preliminary permit to the Fresno Irrigation District to investigate the possibility of developing a power plant at Pine Flat Dam. The Commission modified the earlier opinion by reducing the period of the license granted to the private utility from fifty to thirty years and requiring the company "to reach agreement by October 15, 1952 with local irrigation interests providing for use for power purposes of the waters involved." In its opinion, the Commission noted that the Eighty-First Congress had adjourned without having acted on any bills that would have allowed the

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[41] Letter, Robert H. Gerdes to Leon M. Fuquay, January 1, 1951, FPC Official Record, File Series P-1925, Correspondence, Part 1, F.P.C. Files.

Government to develop any of the proposed Kings River projects, although additional appropriations had been made to continue the construction of Pine Flat Dam and Reservoir, and that no bill had even been introduced in the first session of the Eighty-Second Congress to authorize Government construction of any projects involved in the case.[42]

Despite this apparent victory for private power, Secretary Chapman was not ready to give up. First, on February 9, 1952, he filed a petition with the Ninth Circuit Court of Appeals in San Francisco for review of both the November 10, 1949 opinion (No. 183) and the supplemental opinion (No. 183A). He asked that the court review and set aside these opinions and orders, and he requested Philip B. Perlman, Solicitor General of the United States, to represent him in court on the matter.[43]

Thomas C. Buchanan, now Chairman of the Federal Power Commission (Wallgren had resigned from the Commission for personal reasons, effective October 1, 1951), asked Perlman to refuse Chapman's request, arguing that the prestige of the Justice Department "should not be placed behind the position of the Secretary as against this agency." The Chairman told Perlman that if he believed the Commission's decision to have been a correct one, he should not approve Chapman's appeal. This, he said, would "prevent the controversy between two Government agencies going to the courts." If, on the other hand, advised Buchanan, the Solicitor General considered the question unresolved, he should "maintain neutrality."[44]

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[42] Opinion No. 183A, December 21, 1951, Projects Nos. 1925, 175 and 1988, Release No. 5795, FPC Press Releases, July-December, 1951, F.P.C. Files.

[43] Letter, Thomas C. Buchanan to Philip B. Perlman, November 5, 1951, FPC Official Record, Correspondence, 100-2, Projects Nos. 1925, 175 and 1988, F.P.C. Files; see also Electrical World, February 25, 1952, 66.

However, Perlman agreed to file the petition for review on behalf of the Secretary of the Interior. He explained to Chairman Buchanan,

> . . . it appears to us important that the questions of statutory interpretation be resolved, and that the Department of Justice present the case on behalf of the Secretary of the Interior.[45]

In a second move, Chapman, on June 25, 1952, after formally approving it, transmitted a new plan for the development of the Kings River to President Truman. Recalling that the November 10, 1949 opinion of the Federal Power Commission had been "critical of the financial and engineering adequacy of the Interior plan then before it," the Secretary told the President that this new report was intended to correct any shortcomings the original plan might have had in that respect.[46]

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[44] Letter, Buchanan to Perlman, November 5, 1951, FPC Official Record, Correspondence, 100-2, Projects Nos. 1925, 175 and 1988, F.P.C. Files.

[45] Letter, Perlman to Buchanan, FPC Official Record, Correspondence, File Series P-1925, Part 1, F.P.C. Files.

[46] Memorandum, Chapman to Truman, June 25, 1952, O.F. 284, Truman Papers, T.L.

Chapman was determined to do all possible to win the fight over Kings River. For, in his opinion, at stake in keeping this site out of the grasp of "the second largest private utility in the United States" was nothing less than "the Administration's public power policy and program for the conservation and development of our publicly-owned natural resources." In order to defeat the Pacific Gas and Electric Company, which was, according to the Secretary, "one of the most articulate, clever and effective in the dissemination of the industry's propaganda against public power," unanimity within the executive branch was essential. Chapman, therefore, urged the President to see that such coordination was effected.[47]

The Secretary's adversary in this struggle appeared much more confident as to the outcome of the struggle, James Black, President of Pacific Gas and Electric Company, told members of the National Federation of Financial Analysts in May that the threat of Federal power to private utilities in California had been exaggerated. This confidence appeared to have been warranted when in October 1952, the Federal Power Commission agreed to extend the time for submitting evidence of agreement with local irrigation interests as the Pacific Gas and Electric Company had requested on September 15. The petition for review of Opinions 183 and 183A remained before the courts when the Truman Administration left office in January 1953.[48]

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[47] Ibid.

II

A second power site struggle between the Interior Department and a private utility company, which in many ways resembled the Kings River case, concerned the Roanoke Rapids site on the Roanoke River in Virginia and North Carolina. The Virginia Electric and Power Company sparked the conflict on October 6, 1948 when it filed an application with the Federal Power Commission for a license to build a $27,000,000, 91,000 kilowatt hydro-electric plant on the Roanoke River. On April 4, 1949, the Secretary of Interior filed a petition to intervene in the proceedings. After the filing of counter petitions by the applicant opposing this request for intervention and more requests by Krug, the Secretary's petition was denied. However, intervention by the Virginia Rural Electric Association Cooperative was granted. Interior then applied for a reconsideration of the denial order, the applicant opposed it, hearings were held and, finally, on August 30, 1949, the Secretary of the Interior's application was granted.[49]

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[48] Newspaper clipping, Wall Street Journal, May 6, 1952, O.F. 293, Truman Papers, T.L.; Docket Sheet 175-1, No. 2, F.P.C. Files. On November 16, 1953, the petition for review was dismissed in the United States Circuit Court of Appeals.

[49] Licensed Projects, Docket Sheets, Docket Project No. 2009, F.P.C. Files.

The position taken on this matter by the Department as worked out by Gregory Hankin, Counsel for the Secretary, and C. Girard Davidson, Assistant Secretary of the Interior, was that by Section 10 of the Flood Control Act of 1944, Congress had "adopted and authorized," among a number of other public works, a general plan for the comprehensive development of the Roanoke River Basin to be carried out by the Secretary of War according to plans submitted by the Chief of Engineers. The plan comprising eleven projects, was approved in House Document 650, Seventy-Eighth Congress, Second Session. Therefore, maintained Interior, Congress had reserved all of the projects in the plan, including Roanoke Rapids, for United States Government development. Since the law was never amended and could not be amended by any Federal agency, but only by Congress, the Federal Power Commission had no power to dispose of the site in any other way. Even if there should be a delay by the Government in the development of this site while awaiting Congressional authorization or appropriations, the situation would be unchanged since only Congress could decide what was reasonable in the way of time.[50]

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[50] Report, "Summary of the Main Issues of Fact, Law and Discretion in the Roanoke Rapids Case, and the Position of the Department of the Interior," prepared by Gregory Hankin, undated, General Office Files of C. Girard Davidson, 1946-50, R.G. 48, N.A.; letter, Davidson to Fischer S. Black, Editor, Electrical World, July 18, 1949, File 1-310, Administrative General, Power Development, Part 7, R.G. 48, N.A.

Davidson had this jurisdictional stance well in mind in mid-July when he wrote the editor of the Electrical World to correct what he regarded as an inaccurate description of Interior's position that had appeared in the magazine. However, Secretary Krug was not so sure at this point how far Interior could go on this issue, particularly after he was informed by the Department Solicitor, Mastin White, that the Army was unwilling to get involved in a fight with the Federal Power Commission to gain jurisdiction over Roanoke Rapids. In a private talk with White, Krug spoke in terms of what was desirable--that the site should be preserved as a part of the over-all plan. White explained to the Secretary his opinion that Congress had authorized only a general plan, not Roanoke Rapids specifically, and commented that he did not think Interior had a "legal basis for going to court on it." The solicitor further advised the Secretary that he thought "it would be a mistake now to get embroiled in a court fight with other federal agencies."[51]

Despite the lawyer's advice, the Secretary's brief, which was filed with the Commission on August 31, spelled out the jurisdictional position as developed by Hankin and Davidson. On another point, the Department argued that the Federal Power Commission had divested itself of power to approve the application by the Virginia Electric and Power Company when it concurred in the comprehensive plan of the Chief of Engineers which had been transmitted to that body before it was submitted to Congress. Section 7(b) of the Federal Power Act seemed to back up this stand:

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[51] Telephone call, Krug to Mastin White, August 11, 1949, Conference File, Krug Papers, L.C.; letter, Davidson to Black, July 18, 1949, File 1-310, Administrative General, Power Development, Part 7, R.G. 48, N.A.

> Whenever, in the judgment of the Commission, the development of any water resources for public purposes should be undertaken by the United States itself, the Commission shall not approve any application for any project affecting such development.[52]

Furthermore, the brief continued, Section 7(b) precluded Federal Power Commission jurisdiction because private development of Roanoke Rapids would, for a number of reasons, adversely affect the entire Basin development. First, since Roanoke Rapids' great value was attributable to a large reservoir then being built by the Government at Buggs Island, removing Roanoke Rapids from the Federal plan would greatly reduce the feasibility ratio of the whole project by reducing net power benefits. As they did in the case of Pine Flat Dam in the Kings River issue, Interior officials argued that a private power company should not be allowed to "skim the cream" off the Government's expenditures by reaping the benefits from Buggs Island. Second, the reservoir of the Roanoke Rapids project as proposed by the private company would back up against a planned unit in the Government's comprehensive plan at Gaston. This would reduce its capabilities and add to its costs. Third, if the Roanoke Rapids project were built and operated by a private utility, the Secretary of the Interior would have less power and energy, at a higher cost, to dispose of to preference customers under Section 5 of the Flood Control Act of 1944.[53]

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[52] Brief of the Secretary of the Interior in the Record Made before the Examiner in the Matter of Virginia Electric and Power Company, Project No. 2009, Before the FPC, August 31, 1949, FPC Official Record, File Series P-2009, Formal Part 2, F.P.C. Files.

The brief submitted by the Federal Power Commission staff counsel took the position that the United States should not build and operate a hydro-electric plant at Roanoke Rapids. One reason it gave was that the Buggs Island, Gaston and Roanoke Rapids installations all would be peak load plants that could not be operated efficiently unless they depended on loads of the large utility company systems. The brief further maintained that the United States could not build and operate the plant at Roanoke Rapids more efficiently than the applicant could.[54]

On March 17, 1950, the Federal Power Commision Chief Examiner, Frank A. Hampton, recommended that the license be granted to the Virginia Electric and Power Company. Using the Kings River opinion to back up his recommendation, Hampton cited two important conclusions he had reached on the matter: (1) Congressional "approval" of a comprehensive river basin plan does not constitute "authorization." Congress could have specifically set aside the Roanoke site for Federal development if it had so desired; (2) there is little likelihood that the Government would develop the site in the foreseeable future; therefore, early development of this water resource by private enterprise would be in the public interest.[55]

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[53] Report, "Summary of the Main Issues of Fact, Law and Discretion in the Roanoke Rapids Case, and the Position of the Department of the Interior," prepared by Gregory Hankin, undated, General Office Files of C. Girard Davidson, 1946-50, R.G. 48, N.A.

[54] FPC, Official Record, File Series P-2009, Formal, Part 2, F.P.C. Files.

The ways in which public and private power exponents responded to the proceedings in the case thus far might have been expected. The Department of Interior, headed by Oscar Chapman since the beginning of 1950, objected strenuously to Hampton's decision and set its legal staff to work preparing motions to reopen hearings on the case. The liberal Nation commented that if the chief examiner's decision were upheld by the Federal Power Commission, it would "allow private interests to encroach upon river basins set aside by the government for flood control and public power projects."[56]

On the private power side, an article that had appeared in Public Utilities Fortnightly before the chief examiner's recommendation was made called the Interior Department's strategy an "operation Dog in the Manger" because it obviously aimed to waste water at Roanoke Rapids rather than allow a private company to build the project with its own funds.[57] The Electrical World called Interior a new "force to be reckoned with both before and after licensing" of hydro-electric projects. With its interpretation of Congressional "approval" of Federal agency plans for development of the nation's streams, warned the journal, the Department could in the future protest most private utility applications to the Federal Power Commission to develop power sites. Hence, both this case and the Kings River case would be significant in the determination of the final outcome of this general question.[58]

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[55] Congressional Record, 82d Cong., 1st sess., 1951, XCVII, 12935; Electrical World, March 27, 1950, 76, July 3, 1950, 70.

[56] The Nation, April 15, 1950, 349; see also New York Times, June 14, 1950.

After the Secretary of Interior was granted a rehearing and allowed to present more testimony in June and July, Hampton reaffirmed his initial recommendation on November 15, this time taking note of the Korean defense emergency which had arisen since his first decision. This situation, in which more power was required for national security, he stated, only strengthened his original opinion that Virginia Electric and Power Company should be granted the license.[59]

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[57] Public Utilities Fortnightly, January 18, 1951, 78-83.

[58] Electrical World, April 3, 1950, 20.

On December 22, 1950, Chapman filed an exception to Hampton's ruling and asked that the Federal Power Commission dismiss or deny the private utility's petition. As he did at about the same time with reference to the Kings River case, the Secretary noted the section of the newly completed report by the President's Water Resources Policy Commission which stated that the issuance of such licenses would have tremendous effects on government power policy partly because these sites would then be used for private gain rather than for lowering electricity rates and increasing the use of electricity.[60]

In spite of the hard work by Secretary Chapman and his legal assistants, particularly Gregory Hankin, in trying to convince the Federal Power Commission of the correctness of Interior's position, that body, in a unanimous decision, approved the examiner's report. On January 24, 1951, the Commission issued a license to the Virginia Electric and Power Company to develop the Roanoke Rapids site. In this opinion the Commissioners made the following points:

1. They were not convinced that under the Flood Control Act of 1944, or any other legislation, Congress had removed all remaining water power sites

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[59] Electrical World, November 27, 1950, 13; Richmond Times Dispatch, January 29, 1951, 8; Electrical World, December 4, 1950, 86.

[60] Richmond Times Dispatch, December 23, 1950, 1.

on the Roanoke River from the Federal Power Commission's licensing jurisdiction.

2. The Federal Power Act gave the potential customers of the applicant the right to obtain the benefits of water power development, and these consumers should be granted these benefits as quickly as possible.
3. No persuasive argument had been advanced to show that the public interest would "not be fully protected and promoted by the issuance of the license."
4. The party which raised the principal objections to the licensing--the Secretary of Interior--had no other function assigned to him by Congress "in connection with the development of the Roanoke River" than to "dispose of surplus power generated at the Buggs Island and Philpott flood control projects."
5. The Virginia Rural Electric Association Cooperative, which objected to the issuance of the license mainly on the grounds that power it would buy from the applicant would cost more, did not show that it would be hurt.[61]

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[61] Opinion No. 24, In the Matter of Virginia Electric and Power Company, 100-2, Formal, Project No. 2009, FPC Official Record, File Series P-2009, Formal, Part 8, F.P.C. Files. See also Public Utilities Fortnightly, February 15, 1951, 235.

Private power hailed the decision as a great victory, calling it the sharpest curtailment ever placed on Federal power plans. Colonel H. S. Bennion, Vice-President and Managing Director of Edison Electric Institute, termed it the first instance of one Government agency setting back another so decisively. Encouraged by the Commission's action were the Pacific Gas and Electric Company, for the effect it might have on the Kings River case, and the Idaho Power Company, which was considering requesting a license to build a hydro-electric plant at Hells Canyon on the Snake River.[62]

Despite this setback, the foremost champion of public power in the Truman Administration again fought back. Convinced that the entire public power policy for which he had worked so long was in jeopardy, Oscar Chapman determined that he would take the Roanoke Rapids case to the courts, if necessary. First, he, along with the Virginia Rural Electric Association Cooperative, tried to obtain a rehearing, but the requests were denied on February 27. Then Chapman applied for a review of the Federal Power Commission order in the United States Court of Appeals, Fourth District.[63]

At this point, it appeared that the two Federal agencies--the Department of Interior and the Federal Power

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[62] New York Times, January 31, 1951, 37.

[63] Licensed Projects, Docket Sheets, Docket Project No. 2009, F.P.C. Files.

Commission--were hopelessly deadlocked on the issue and that there would be a struggle to the finish between them. Private power sympathizers, including at least some of the Commissioners, saw this contest as an effort by Interior to gain "top control of hydro-electric license authority in the United States."[64] However, to Secretary Chapman, the basic issue was "whether after a policy has been decided on, an agency of the Government (in this case the Federal Power Commission) may overturn that policy."[65] Hence, he felt he had to continue the fight.

Despite this determination, however, Chapman was no more happy with the prospect of litigation between the two agencies than were the President and Department attorneys. The Chief Executive had hoped that his appointments to the Power Commission would rule out such an occurrence. At Interior Department meetings in mid-January, the problems with the Commission were discussed, along with ways that relations might be improved. Department attorney Gregory Hankin, whom even Krug had recognized as being extremely hostile to the Federal Power Commission, tried to persuade the Commission lawyers to agree to limit presentation before the court to substantive questions of law in order to "lend dignity to the Government's appearance before the court with two Federal agencies contesting."[66] However, Interior had no success in eliciting cooperation from the Power Commission even for the sake of appearances. The Commission attorneys replied that they would use all means at their disposal to win.[67]

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[64] Public Utilities Fortnightly, February 15, 1951, 235,

[65] Letter, Secretary Chapman to Henry Ligon, September 12, 1951, Reading File, Chapman Papers, T.L.

Nor could Interior count on any other executive department to help in the case. The Army Corps of Engineers, the agency most directly involved in the outcome, since it would develop the Roanoke River Basin under the comprehensive plan approved by Congress, never expressed a willingness to aid Interior. Chapman complained to Truman later that the Corps' attitude had been a "major problem" in the Department's effort to "preserve the site at Roanoke Rapids for Federal development."[68]

On September 5, 1951, the Roanoke Rapids case was argued in Baltimore before the Fourth United States Circuit Court of Appeals, with three judges presiding. Gregory Hankin found himself pitted against eight lawyers representing Virginia Electric and Power Company and two other power companies that had a collateral interest in the case, plus two lawyers defending the Federal Power Commission. His only support came from the Virginia Rural Electric Association Cooperative, which merely presented a short statement agreeing with Hankin's brief.[69]

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[66] Minutes, Water and Power Programs Meeting, January 17, 1951 and April 10, 1951, File 0.30, General, Congresses and Conventions, Water and Power Programs, R.G. 115, W.N.R.C.; telephone call, J. A. Krug to Walton Seymour, November 1, 1949, Conference File, Krug Papers, L.C.

[67] Minutes, Water and Power Programs Meeting, January 17, 1951 and April 10, 1951, File 0.30, General, Congresses and Conventions, Water and Power Programs, R.G. 115, W.N.R.C.

[68] Letter, Secretary Chapman to President Truman, February 18, 1952, Miscellaneous Records, Reading File, 1952, Chapman Papers, T.L.

The attorney for Interior reiterated his Department's position: Congress had withdrawn the site from private development by passing the Flood Control Act; the Interior Department had an interest in the case because it would market the power from the plant when built by the Corps of Engineers and the Federal Power Commission had abused its discretion in approving the license application. Hankin added,

> If you permit Virginia Electric and Power Company to build this dam it means that any of the government's river basin plans can be interrupted by getting a license from the Federal Power Commission.[70]

The judges, however, unanimously rejected all of Interior's arguments on October 1. The Court held that (1) the Secretary of the Interior was not a party "aggrieved" by the Commission's orders; (2) Congress had not reserved the water resources of the Roanoke River Basin for development by the United States itself, and therefore did not withdraw Roanoke Rapids from the licensing jurisdiction of the Commission; (3) the Commission had not precluded itself from granting the application by its prior approval of the comprehensive plan for the development of the Roanoke River Basin as a Federal undertaking and (4) in issuing the license the Commission had not exceeded its authority or abused its discretion under the Federal Power Act.[71]

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[69] Public Utilities Fortnightly, September 27, 1951, 429; Electrical World, October 15, 1951, 5.

[70] Public Utilities Fortnightly, September 27, 1951, 429; see also Electrical World, October 15, 1951, 5.

After asking the Circuit Court of Appeals to rehear the case and after being denied, Chapman next informed President Truman that he was recommending to the Solicitor General of the United States that the appeal of the case be taken to the Supreme Court and that the Department of Justice, rather than the Interior Department, handle the action. The Secretary subsequently asked the Solicitor General to seek a petition of certiorari. After some delay and finally, intervention by Truman, the Justice Department granted Chapman permission to proceed; however, it refused to carry on the litigation. Chapman was again left to fight alone.[72]

In announcing his decision to petition for such a writ, Chapman said the case would test two vital issues:

> (1) whether a Federal river basin development approved by Congress can be disrupted by the issuance of

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[71] Letter, Chapman to Philp B. Perlman, Solicitor General, October 17, 1951, Miscellaneous Records, Reading File, Chapman Papers, T.L.; Congressional Record, 82d Cong., 1st sess., 1951, XCVII, 12935-36.

[72] Public Utilities Fortnightly, December 6, 1951, 829, March 13, 1952, 375; Electrical World, February 11, 1952, 7; letter, Chapman to Truman, November 16, 1951, Miscellaneous Records, Reading File 1951-52, Chapman Papers, T.L.; letter, Chapman to Perlman, October 17, 1951, Miscellaneous Records, Reading File, Chapman Papers, T.L.

> licenses to private power companies to build the very projects that are included in the plan adopted by law for Federal development. . .
>
> (2) whether the Government in making large investments for power facilities, should do so for the benefits of the people or whether these benefits may be surrendered to private power companies.[73]

During February and early March 1952, electric cooperatives in Florida, Virginia and North Carolina sent telegrams and letters to Chapman expressing approval of his decision to appeal the case, their desire to have the Government build the project and their opposition to granting the license to the Virginia Electric and Power Company.[74]

Not until mid-March did the Secretary officially petition the Supreme Court to issue a writ of *certiorari* to review the decision of the lower court. The *Electrical World* speculated that the Interior Department was stalling. It noted that since the preceding October, when the Appeals Court had upheld the Power Commission's decision, each move made by the Department had been delayed until the last moment. Interior had waited an entire month before asking for a rehearing by the Court of Appeals, tried for a month to get permission from the Solicitor

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[73] Department of Interior Press Release, undated, Correspondence File, General, Roanoke Rapids Dam folder, Chapman Papers, T.L.

[74] Telegrams and letters from twenty-three rural electric cooperatives in Florida, North Carolina and Virginia, dated February 14, 1952, February 15, 1952, February 16, 1952, February 18, 1952, February 21, 1952, March 4, 1952, March 5, 1952, *ibid*.

General to take the case to the Supreme Court before achieving success and asked for another time extension for filing the petition because the Justice Department had acted only a few days before the deadline. Whether deliberate or not, opined the private power journal, the result of these delays would be to postpone a Supreme Court decision until after the November elections. This would be advantageous since a possible reversal of Administration public power policy by the judicial system would hurt supporters of that policy at the polls.[75]

The case was argued on October 22. Petitioners were the Department of Interior and the Virginia Rural Electric Association Cooperative, et al.; respondents were the Federal Power Commission, Virginia Electric and Power Company, Carolina Power and Light Company and Appalachian Electric Power Company. Essentially the same arguments employed by both sides before the Fourth Circuit Court of Appeals were again presented.[76]

In his brief to the Court, Gregory Hankin, in an effort to establish Interior's interest in the case, spoke of the Secretary's position as a competitor of Virginia Electric and Power Company "in the disposition of power in the Buggs Island-Roanoke Rapids area to public bodies, cooperatives, and others,"[77] and compared his duties to those of a manager of a private utility company. Private power exponents now pointed to this line of reasoning, which Interior had also used before the Circuit Court, as proof that the Government no longer defended its power operations, as it had in early court cases involving the Tennessee Valley Authority, as being incidental to navigation and flood control which were authorized by the commerce clause of the Constitution. In those days, said private power sympathizers, the utility companies could not convince the courts that the Government was a competitor with private power companies. The Federal Power Commission staff counsel replied to this aspect of Interior's brief by arguing that if Congress had intended for the Government to build up a public power system of the kind that Hankin had described, it would have spelled it out in law.[78]

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[75] Electrical World, March 24, 1952, 103, February 11, 1952, 72.

[76] Ibid., October 27, 1952, 10; U.S., United States [Supreme Court] Reports, CCCXLV (October Term, 1952), 153-74.

The highest court did not hand down its decision on the Roanoke Rapids case until March 16, 1953, after the Truman Administration had left office. It affirmed the Court of Appeals denial of the petition to set aside the Federal Power Commission's order and essentially agreed with the findings of both the lower court and the

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[77] Senate, Hearings on Interior Department Appropriations Bill for 1953, 82d Cong., 2d sess., 1130.

[78] Ibid., Electrical World, October 27, 1952, 10; Public Utilities Fortnightly, December 6, 1951, 829.

Commission on the Roanoke Rapids question.[79]

Although Chapman had again succeeded in delaying an adverse decision until after the elections, and, once the opposing party had been elected, until after the Truman Administration's term had expired, the result was clearly a loss for the Secretary, Truman and all public power exponents. For although they disagreed with the decision of the Court, they did agree with its estimation of the significance of the questions raised by the case. These questions, said the tribunal, involved "a conflict of view between two agencies of the Government having duties in relation to the development of national water resources" and the decision of the Court with regard to them could "affect a substantial number of potential sites for the development of hydro-electric power."[80] Without a resolution of these problems in favor of the Department of the Interior, public power devotees could expect a reversal in Federal public power policy as it had developed under President Truman.

III

Hells Canyon, a deep gorge of the Snake River located on the Idaho-Oregon border, was another power site which engendered controversy during these Truman years. As in the cases of Kings River and Roanoke Rapids, the question concerned whether the Federal government or a private power company would build and operate a hydroelectric project or projects at or near it. Calling for a reservoir that would hold approximately 4,400,000 acre feet of water, a 100,000 kilowatt power plant and transmission lines running to Pacific Northwest markets, the Government's Hells Canyon scheme included flood control, navigation and recreation benefits, as well as financial aid through surplus power revenues for the development of irrigation in eastern Oregon and West Central Idaho. It was included in the Reclamation Bureau's plan for the comprehensive development of the Columbia River, which had been approved by the Secretary of Interior on February 8, 1947 and by the President on June 9, 1948.[81]

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[79] United States Reports, CCXLV (October Term, 1952), 153.

[80] Ibid., 155.

This proposal presented, for the first time, possibility of competition to what The Nation called the "Idaho Power Company's economic barony."[82] Concerned about such a threat, the private utility applied to the Federal Power Commission on June 24, 1947, for a preliminary permit to develop its nearly abandoned plant at the Oxbow site, located in what would be the future Hells Canyon reservoir. Calling for a run-of-the-river dam with a nameplate capacity of 106,000 kilowatts, Idaho Power's plant would produce only about one-tenth of the output of the proposed Hells Canyon project.[83]

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[81] U.S. Congress, House of Representatives, House Document 473, 81st Cong., 2d sess., (2 Vols., Washington, D.C., 1950), II, 113-19.

[82] The Nation, November 1, 1952, 405.

In 1948, the Corps of Engineers made its report on a plan for the comprehensive development of the Columbia River. It too included Hells Canyon Dam as part of its "main control plan" for that river. Meanwhile, realizing it would have to revise its plans in order to offer a more reasonable alternative in terms of kilowatts of power, the Idaho Power Company asked the Federal Power Commission to suspend action on its license application. Then came the agreement between the Departments of the Army and Interior of April 11, 1949.[84]

On February 3, 1950, the Secretary of the Interior submitted to Congress his report on a plan for the further development of the water resources of the Columbia River Basin. Included in it was a provision for the construction of Hells Canyon Dam by the Bureau of Reclamation. The entire report consisted of the Bureau's study of May 2, 1949, along with the comments of affected states and Federal agencies, and the April 11 Army-Interior agreement.[85]

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[83] Ibid.; Annual Report of the Federal Power Commission, 1951, 51; Roy F. Bessey, "The Political Issues of the Hell's Canyon Controversy," Western Political Quarterly, IX (September 1956), 681-83.

[84] House Document 473, 81st Cong., 2d sess., I, 1; Bessey, "The Political Issues of the Hell's Canyon Controversy," 682. See Chapter III, above, for a discussion of the comprehensive plans for development of the Columbia River prepared by the Departments of the Army and Interior and their agreement on principles and responsibilities for the carrying out of this plan.

Two changes relating to Hells Canyon had been made in the Bureau's original plan. First, instead of naming the Bureau of Reclamation as marketing agent for the power produced at Hells Canyon and authorizing it to enter into agreements with Bonneville Power Administration, the Secretary of the Interior would designate a single agency to carry out this function once the Federal power facilities in the area were interconnected. Second, in approving two lists of projects to be built by the Corps of Engineers and the Bureau of Reclamation for development of the Columbia River Basin, the Director of the Bureau of the Budget acting for the President, cleared the Hells Canyon project to be built by the Bureau but "subject to elimination of transmission facilities." The Director added, "These facilities, if and when required, would come more appropriately under another Federal agency."[86]

On February 14, 1950, Gordon Gray, Secretary of the Army, transmitted to Congress the June 28, 1949 comprehensive report of the Corps of Engineers on its plans for development of the Columbia River Basin. Hells Canyon Dam was included among those projects recommended for immediate construction "in the interest of flood control, navigation, power and other water uses." In the report was a comment that "local and regional opinion is largely in favor of this project."[87]

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[85] House Document 473, 81st Cong., 2d sess., I, 1-5.

[86] Ibid., 1-39.

Truman had decided to have these reports sent to Congress early in the second session of the Eighty-First Congress when his all-out effort to establish a Columbia Valley Authority in 1949 looked hopeless. He feared that Congress would adopt neither such an authority nor the comprehensive plan agreed upon by the two agencies. With the aim of trying to salvage something from H.R. 5472, the pending Omnibus Rivers and Harbors and Flood Control Bill, the Secretary of the Interior, with Truman's approval, therefore recommended that thirteen reclamation projects, including Hells Canyon be authorized by amendment to this bill. However, Congress did not authorize them for construction by the Bureau.[88]

This tactic having failed, the Administration began drafting legislation to authorize Hells Canyon and other projects. On October 16, 1951, Representative John R. Murdock (Democrat, Arizona) introduced H.R. 5743 which would have authorized the construction of the dam by the Bureau of Reclamation, but no action was taken on it in the first session of the Eighty-Second Congress.[89]

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[87] U.S. Congress, House of Representatives, House Document 531, 81st Cong., 2d sess. (Washington, D.C., 1950), v-vii, 342; see also 331.

[88] House Document 473, 81st Cong., 2d sess., I, 1; House Document 531, 81st Cong., 2d sess., vi-x. See Chapter III, above, for a fuller discussion.

Meanwhile, the Idaho Power Company had presented its revised plan for Snake River power development to the Federal Power Commission in its request for a license on December 15, 1950. Calling for five low dams instead of one, the altered scheme would have produced a total installed capacity of 695,000 kilowatts, still far short of the potential capacity of the one high dam proposed by the Government. The only purpose of the project was still power production, and the dam farthest downstream was to be located essentially in the same place as the Federally proposed Hells Canyon Dam.[90]

The two sides--those who favored the high, Federal dam and those who wanted the low dams built by private enterprise--presented their respective cases in the states involved, in the Congress, before the Federal Power Commission and before the courts. Public hearings in the states began as early as July 9, 1947 when the Corps of Engineers held one in Lewiston, Idaho.[91]

About this time the Idaho Power Company began an ambitious program to try to persuade organizations in Idaho and Oregon to line up on its side. It hired a man to handle the campaign against Hells Canyon, sent representatives to speak at meetings of Chambers of Commerce,

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[89] Congressional Quarterly, VII (1951), 678, VIII (1952), 345.

[90] The Nation, November 1, 1952, 405.

[91] Ibid.

Kiwanis and other organizations and argued its side of the story at the Corps of Engineers hearings. In presenting its case to the public, Idaho Power offered the following arguments: (1) it was ready, able and willing to do the job; (2) the Federal project would drain off power to the Bonneville system and the West coast, thus cheating business interests in Idaho, while the low dams would serve the power needs of the people in the Snake River area; (3) the private company's project would pay $3,000,000 in property taxes annually to Oregon and Idaho; (4) low dams would provide better recreational facilities; (5) the Federal high dam would be a back-door path to a socialistic Columbia Valley Authority and (6) Hells Canyon Dam would deprive Southern Idaho farmers of their irrigation water rights. Persuaded by these arguments were such groups in Idaho as the State Grange, Farm Bureau of Federation, Wool Growers Association, Mining Association and various local city Chambers of Commerce.[92]

For the public power side, the Department of the Interior and its Bureau of Reclamation also worked hard to sell their plan for the Snake River to citizens of the states that would be directly affected. In 1950 William E. Warne reported to the Secretary of the Interior that he had been "plugging it strongly" in eastern Oregon.[93] C. Girard Davidson held about fifty conferences with governors and groups in Idaho, Montana, Oregon and Washington in an effort to reach agreement on a "unified program for power development." He informed Chapman that nearly everyone agreed that the power program in the Northwest needed to be stepped up, and he listed Hells Canyon among projects which involved "no known controversy, or only limited or surmountable controversy or objection."[94]

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[92] Ibid., 405-06; Bessey, "The Political Issues of the Hell's Canyon Controversy," 681-83; Electrical World, April 7, 1952, 95; New Republic, March 17, 1952, 16-17.

In presenting its case to the public and government officials in these states, Interior maintained that its proposed Hells Canyon Dam constituted an important part of its plan for comprehensive development of the Columbia River Basin. After December 1950, it used as an argument to bolster its position the report of the President's Water Resources Policy Commission which stressed the need for planning for a river basin as a whole and recommended that Hells Canyon Dam be finished as soon as it was practicable as part of the program for developing the water resources of the Columbia River Basin. In other arguments, the Bureau noted that the Federal high dam would provide much more power to fill the needs of the people of the Pacific Northwest than would the Idaho Power plan; it would provide recreation, flood control and navigation benefits that Oxbow and the five-dam scheme would not and its surplus power revenues would aid in development of irrigation in the area.[95] Chapman also insisted that he agreed that water rights of southern Idaho farmers should be protected and that the Department planned to and did include a guarantee of all present and future upstream water rights in the proposed authorizing legislation (H.R. 5743). Interior officials further pointed out that these farmers would probably have to pay the power company for irrigation water if the low dams were constructed.[96]

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[93] Memorandum, Warne to Chapman, November 30, 1950, File 1-310, Administrative General, Power Development, Part 9, R.G. 48, N.A.

[94] Memorandum, Davidson to Chapman, February 12, 1951, _ibid._, Part 2; see also memorandum, Chapman to Warne, December 28, 1950, _ibid_.

Interior won supporters for its point of view, as well. Labor groups in Idaho (American Federation of Labor and the Congress of Industrial Organization) joined the Government bandwagon, and later the Northern Idaho Farmer-Labor Legislative Council added its support. In September 1949, a group of citizens in Baker, Oregon formed the Hells Canyon Development Organization in order to counteract the efforts of the Baker Chamber of Commerce and the Idaho Power Company to sell the low dams idea to the people. By March 1952 it claimed a paid membership of 400.

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[95] Bessey, "The Political Issues of the Hell's Canyon Controversy," 676-85; New York Times, June 15, 1952, 33; A Water Policy for the American People: The Report of the President's Water Resources Policy Commission, I, 9, 25-26, 245.

[96] The Nation, November 1, 1952, 406; letter, Chapman to H. W. Morrison, President, Southwestern Idaho Water Conservation Project, March 20, 1951, Miscellaneous Records, Reading File, 1950-51, Chapman Papers, T.L.

Citizens from Idaho and Oregon who favored the Government plan organized the Idaho-Oregon Hells Canyon Association in December 1951. In March 1952 it boasted a membership of 8,000 people.[97]

When the 1947 Bureau of Reclamation proposed report on the development of the water resources of the Columbia River was sent to the governments of the states involved for their appraisal, the comments received generally were not unfavorable. The Governor of Montana did not mention Hells Canyon in particular, but he endorsed the entire plan. The Nevada and Wyoming State Engineers approved of that portion of the plan that affected their states, with the Wyoming official adding that no further investigation of reservoirs on the Snake River in Wyoming should be made until requested by the people in the basin. The state of Utah, which had only a minor interest in the basin, generally approved the proposal. The Governor of Washington commented that he could not approve the plan until certain points were changed, but he did not specify what these requirements were. The Governor of Idaho was equally noncommittal, refusing to give his final opinion, while the Governor of Oregon felt he would need to consider the

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[97] U.S. Congress, House of Representatives, Hearings on H.R. 5743 before the Subcommittee on Irrigation and Reclamation of the House Committee on Interior and Insular Affairs, 82d Cong., 1st sess. (Washington, D.C., 1952), 155-57.

Army's report before taking a position.[98]

Later, Republican Governor Len Jordan of Idaho, leaned more and more toward the private utility plan until he finally went all the way. In March 1951, after attending a meeting with water users and Bureau officials, Jordan pointed out that development of Hells Canyon by private power would bring in about $3,000,000 a year in tax revenues to the state. By 1952, he was travelling about the state making pro-Idaho Power speeches.[99]

In 1951 and 1952, the focus of the Hells Canyon controversy shifted from the states to Congress. With defense needs of prime importance in 1951 and a power shortage threatening in the Northwest, the President and the Interior Department began to justify the Hells Canyon Dam, along with other proposed hydro-electric projects in that area, in terms of national security requirements. Truman included it, and six other projects, as new starts needed for the defense program in his annual budget message in January.[100]

Before the Civil Functions Subcommittee of the House Appropriations Committee on May 10, 1951, Assistant

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[98] House Document 473, 81st Cong., 2d sess., I, 53; memorandum, Straus to Chapman, April 11, 1951, Subject File, Columbia River, Krug Papers, L.C.

[99] Electrical World, March 19, 1951, 13; New Republic, March 17, 1952, 17.

[100] "Annual Budget Message to the Congress: Fiscal Year 1952," January 15, 1951, Public Papers: Truman, 1951, 86.

Secretary of the Interior William E. Warne justified the immediate start of the Hells Canyon project for the defense effort and for maintaining the present American way of life.[101]

In early 1952 the President recommended to Congress in his annual budget message that work be initiated on Hells Canyon in fiscal 1953. A bill intended to bring this about--H.R. 5743--was introduced into the House in March, and hearings were held by the Subcommittee on Irrigation and Reclamation of the House Committee on Interior and Insular Affairs during March, April and June.[102] Using the words "raucous" and "rowdy" to describe the first seven meetings, the Electrical World commented,

> Not since the members of the House Public Works Committee went at each other's throats on the St. Lawrence Seaway bill last year have there been such spirited sessions.[103]

The first witness was Secretary Chapman who said that he represented "not only the position of the Department of the Interior" in supporting Hells Canyon Dam but also that of the President. Chapman summarized his Department's reasons for urging the authorization as follows:

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[101] "Statement by Assistant Secretary William E. Warne before Civil Functions Committee of the House Appropriations Committee, May 10, 1951," File 1-310, Administrative General, Power Development, Pacific Northwest, General, Part 2, R.G. 48, N.A.

[102] "Annual Budget Message to the Congress, Fiscal Year 1953," January 21, 1952, Public Papers: Truman 1952-53, 88; Electrical World, April 7, 1952, 94.

[103] Electrical World, April 7, 1952, 94.

> First--It would produce a large volume of electric power urgently required for national security in the long-range and for the continued economic growth of the Pacific Northwest. . . .
>
> Second--It would provide important benefits to flood control, navigation, recreation, and other purposes. Fish and Wildlife resources will not be impaired by this development.
>
> Third--Under this bill, financial support for irrigation projects would be made possible at a later date.
>
> Fourth--By providing power at low cost it would make possible expanded production of badly needed fertilizer through the development of the enormous phosphate deposits in Idaho. . . .
>
> Fifth--Hells Canyon Dam would stimulate business, agriculture, and particularly the metallurgical and chemicals industries.
>
> Sixth--Under the present bill, it would protect future upstream water uses, while contributing all of these benefits.[104]

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[104] U.S. Congress, House of Representatives, Hearings on H.R. 5743 before the Subcommittee on Irrigation and Reclamation of the House Committee on Interior and Insular Affairs, 82d Cong., 2d sess., 27. A problem which plagued the Federal government in its plans for the comprehensive development of the Columbia River Basin during this period was the issue of "fish versus dams." Any mainstream dam built on the Columbia below the Okanagan River or on the Snake below the Salmon River would harm the salmon run. Those engaged in the sizable commercial salmon fishing industry in the Northwest, some five Indian tribes that were guaranteed their usual fishing places by an 1855 treaty, as well as those persons interested in fishing as a sport (including the National Park Service) were concerned about Government plans to build eight projects on the Columbia and five on the Snake. However, it was generally agreed that Hells Canyon dam would have no significant effect on the salmon since it would be located above the Salmon River. In fact, one of Interior's arguments for proceeding with Hells Canyon, as well as Boundary and Wolf Creek projects, immediately and ahead of The Dalles and projects on the lower Snake was that these dams would not impair the salmon run and would allow time

Cross examination of the Secretary was fierce and lengthy, consuming one hour and thirty-eight minutes on the first day when Chapman was the only witness and continuing on the following day. Chairman Clair Engle's efforts to limit the time of Chapman's testimony were unsuccessful.[105] Representatives John P. Saylor and Norris Poulson (Republicans, California) tried to get the Secretary to admit that Hells Canyon was a project intended strictly for power. Questioning Chapman closely, Poulson scoffed at the proposed navigation, flood control and recreation benefits by commenting that $37,000,000 was to be spent for one foot of flood control, that there would be no place to go on the Snake River once navigation was made possible and that little recreation would be feasible since the water would be unstable during most of the year. Saylor got the witness to admit that none of the water stored in the Hells Canyon Dam could be used for irrigation and that the water involved in the plan for future irrigation of four million acres of land would come from

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for the Fish and Wildlife Service and the Office of Indian Affairs, together with the Bureau of Reclamation and the Corps of Engineers, to solve the problem before more mainstream dams were built below the Okanogan and Salmon Rivers. See memorandum, W. W. Gardner to Krug, March 6, 1947, Warner Gardner Papers, T.L.; memorandum, Davidson to Chapman, February 12, 1951, File 1-310, Administrative General, Power Development, Pacific Northwest, General, Part 2, R.G. 48, N.A.

[105] House of Representatives, Hearings on H.R. 5743 before the Subcommittee on Irrigation and Reclamation of the House Committee on Interior and Insular Affairs, 82d Cong., 2d sess., 113, 126-27.

the Mountain Home area 200 miles away.[106]

The bill, however, did not contain the word "irrigation" in its purposes, and Chapman maintained under questioning, as he had many times before, that the bill would allow the development of irrigation at a later time.[107] Representative Hamer Budge (Republican, Idaho) then made much of the fact that for the first time in history the Bureau of Reclamation would be building a dam from which no irrigation was "mentioned in the purpose." Charging that the main reason for the bill was power, Budge accused Chapman of trying to "bring this river under the commerce and navigation clause so the Federal Government would run it."[108]

Among those outside the executive branch who lent their support to the bill during the hearings were Northwest businessmen, newspaper publishers, the Idaho State Federation of Labor, the Oregon State Grange, local granges in Idaho and Oregon, The National Farmers Union, the Idaho State Legislature, Idaho Secretary of State Ira Masters, Senator Wayne Morse of Oregon, the Idaho National Rural Electric Cooperative Association, the Hells Canyon Development Association and the Idaho-Oregon Hells Canyon

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[106] _Ibid_., 49-50, 78.

[107] _Ibid_., 129.

[108] _Ibid_., 130.

Association.[109] Al Ullman, Chairman of the Idaho-Oregon Hells Canyon Association, testified that the people of Oregon and Idaho were "overwhelmingly in support of the Hells Canyon proposal." Despite the "successful public-relations campaign" conducted by the Idaho Power Company and the "phoney argument" used, he said, there was "only one legitimate issue . . . the full, comprehensive development of the Snake River."[110]

Among those who made known their opposition to the Government proposal for the high dam known during the hearings were Northwest irrigation districts, water user groups, cattlemen's associations, major newspapers; the Idaho State Reclamation Association, Mining Association, State Chamber of Commerce and Farm Bureau Federation and Governor Len Jordan.[111] Jordan presented the following reasons for his stand: (1) the Interior plan constituted a violation of states' rights since it would limit the amount of water Idaho residents could use, (2) the high dam would mean loss of tax revenue to Idaho and the country, (3) it would increase the Federal debt and (4) it would provide a target for sabotage or enemy attack.[112]

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[109] Ibid., 152-55, 173, 182-83, 186-89, 190-91, 200-02, 211-13, 216-17, 239-41, 250-51, 266-68, 295-96, 300-01; New York Times, June 15, 1952, 33.

[110] House of Representatives, Hearings on H.R. 5743 before the Subcommittee on Irrigation and Reclamation of the House Committee on Interior and Insular Affairs, 82d Cong., 2d sess., 157-58.

[111] Ibid., 520-24, 528 -37, 577-79; Bessey, "The Political Issues of the Hell's Canyon Controversy," 687-88.

The hearings recessed in early April and resumed in mid-June. Observers, including proponents of the plan, were conceding in April that the bill had little chance of passage in the second session of the Eighty-Second Congress. When Representative Poulson moved to recess the hearings indefinitely after they had been in progress only a week following resumption, not even Chairman John Murdock, who had introduced the bill, objected. Explained Murdock,

> There really wasn't time to finish action on the bill this session. My main purpose in holding hearings was to get a record established.[113]

At this point, the focus of the Hells Canyon struggle shifted to the Federal Power Commission. On May 27, 1952, the Commission scheduled the first hearings on the Idaho Power Company applications for July 14. The Department of the Interior and the Hells Canyon Association filed petitions to intervene. In its petition, the Department asked the Federal Power Commission to reject the Idaho Power Company request to build the Oxbow project, stating that it would prevent the future construction of the Hells Canyon Dam by the Government. On July 8, the Power Commission granted the Interior Department permission to intervene in the hearings.[114]

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[112] House of Representatives, Hearings on H.R. 5743 before the Subcommittee on Irrigation and Reclamation of the House Committee on Interior and Insular Affairs, 82d Cong., 2d sess., 506-09.

[113] Ibid., 736; Electrical World, June 30, 1952, 62; see also April 7, 1952, 94; New York Times, June 15, 1952, 33.

In November the Idaho Power Company filed a supplementary application with the Federal Power Commission amending its 1950 one. Under its new plan, three dams instead of the five proposed earlier would be built by the private utility. Instead of constructing dams at Bayhorse, Sturgill, Brownlee, Oxbow and Hells Canyon, Idaho Power now would build them at the last three named sites only. The major change concerned the plans for the Brownlee site where the dam would be raised over 200 feet above the height specified in the original plan. Total kilowatt capacity now would be 783,000 as compared with 714,000 kilowatt capacity under the five-dam scheme. At this point, the Department of Agriculture petitioned for and was granted permission to intervene in the proceedings. Hearings originally scheduled for November were postponed until 1953 so that more engineering data regarding its new proposal could be prepared by Idaho Power Company.[115]

By failing to issue an opinion during 1951 and 1952, the Federal Power Commission jeopardized chances for Congressional action on H.R. 5743. The Bonneville Power Administrator, Paul Raver described the effect of this inaction in a memorandum to Secretary Chapman:

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[114] Bessey, "The Political Issues of the Hell's Canyon Controversy," 682; New York Times, June 28, 1952, 23, July 9, 1952, 40.

[115] Bessey, "The Political Issues of the Hell's Canyon Controversy," 682; Electrical World, December 8, 1952, 8; The Nation, November 1, 1952, 406.

> This failure permits the Congress to take the position that it will wait and see what the FPC's Oxbow finding is.[116]

Thus, in another instance, the question of whether the Government or a private utility company would develop a hydroelectric site that Interior regarded as a key element in a Federal plan for the comprehensive development of a river basin was left in abeyance as the Truman Administration's term in office expired.

IV

A fourth area of contention in this phase of the public versus private power struggle was the Niagara River. There the question again revolved around whether the proposed power redevelopment would be carried out publicly or privately. This project was related to the Great Lakes-St. Lawrence Seaway and power question in that the two were linked by the chief executives of both Canada and the United States in their negotiations with each other in the thirties and early forties. Niagara redevelopment was included in a 1941 agreement between the two countries on the development of the Great Lakes-St. Lawrence Basin.

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[116] Memorandum, Administrator, Bonneville Power Administration, to Secretary of the Interior, January 31, 1952, File 1-310, Administrative General, Power Development, Pacific Northwest General, Part 2, R.G. 48, N.A. The new Secretaries of Interior and Agriculture in the Eisenhower Administration withdrew their respective departments' interventions, and the Federal Power Commission granted the Idaho Power Company a license to build the three low dams in 1955.

During the Truman period the two problems were related in the sense that policy followed in the St. Lawrence case could influence the outcome of the Niagara controversy since some of the same principles were involved. However, basically, Niagara redevelopment constituted a separate and distinct problem.[117]

The effort by President Truman and others in his Administration, particularly Oscar Chapman, to gain Congressional approval of the 1941 Canadian-American agreement which would have made possible ocean navigation to the Great Lakes, as well as the creation of 2,200,000 horsepower of hydro-electric capacity to be divided between the two countries has been adequately treated elsewhere.[118] Therefore, it will be considered here only to provide a background as it relates to the struggle over Niagara redevelopment.

Truman continued Franklin Roosevelt's policy of trying the seaway and Federal construction of power facilities together in one plan with the understanding that the United States power facilities, once built, would be turned over to the state of New York. The power part of the plan engendered opposition from private power groups, while railroad and port interests fought the seaway plan. Unable to get the package deal approved in Congress from 1945 to 1951,[119] Truman announced that he would support Canada's plan to go ahead with the seaway, with United States participation in the power project, if Congress would not approve the 1941 agreement. By following the recommendations of Chapman and Chief of Engineers Lewis A. Pick to delay naming the agency (which everyone expected to be the New York State Power Authority) to build the United States' share of the hydro-electric project until the International Joint Commission completed its hearings in the fall of 1952, the Administration planned to make a last ditch effort to get the plan approved before adjournment of the Eighty-Second Congress.[120]

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[117] The mouth of the Niagara River is located nearly 200 miles from the St. Lawrence River at the opposite end of Lake Ontario.

[118] For the politics and diplomacy involved in the creation of the Seaway plan see William R. Willoughby, The St. Lawrence Waterway, a Study in Politics and Diplomacy (Madison, Wisconsin, 1961), especially Chapters XIV, XV and XVI. More superficial treatments can be found in Glaeser, Public Utilities, 517-20 and Waltrip, "Public Power During the Truman Administration," 46-47, 66, 76, 79, 104-07, 119-22.

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[119] For a summary of Truman's efforts during his first administration, see Chapter III, above.

[120] Letter, Truman to Governor Thomas E. Dewey, August 19, 1945, O.F. 156, Truman Papers, T.L.; telegram, Truman to Dewey, September 27, 1945, Public Papers: Truman, 1945, 349; "Special Message to Congress," October 3, 1945, ibid., 359; memorandum, Chapman and Lewis A. Pick to Truman, March 5, 1952, O.F. 156, Truman Papers, T.L.; "Message to Congress," January 21, 1946, Public Papers: Truman, 1946, 53; letters, Truman to President Pro-Tem of Senate and Speaker of House, January 26, 1948, Public Papers: Truman, 1948, 107; U.S. Federal Power Commission, Opinion 203, December 22, 1950, FPC Release No. 5160, Project No. 2000, O.F. 235, Truman Papers, T.L.; memorandum Bell to Charles Murphy, Special Counsel to the President, November 8, 1949, O.F. 235, Truman Papers, T.L.; letter, Louis St. Laurent, Prime Minister of Canada to Truman, May 27, 1949, O.F. 156, Truman Papers, T.L.; letter,

This attempt failed. However, success for the plan as Truman had envisioned it was assured in January 1953. Hearings by the Federal Power Commission on the New York Port Authority's request for a license were drawing to a close with virtual assurance that the license would be granted since surprisingly little opposition had come to light. Furthermore, a statement in President Truman's January 1953 budget message expressing the hope that a new arrangement could be worked out on the seaway and an announcement by the Canadian Government that it would consider any new United States seaway proposal (which resulted from private diplomacy between the President and the Canadian Prime Minister) all pointed to success. For Truman could be quite sure that the American people and their elected representatives would not allow control of the St. Lawrence Seaway to pass into the exclusive hands of another country.[121]

Truman to St. Laurent, June 8, 1949, O.F. 156, Truman Papers, T.L.; "Joint Statement Following Discussions with Prime Minister St. Laurent of Canada," September 28, 1951, Public Papers: Truman, 1951, 546; "Special Message to the Congress Urging Action in the St. Lawrence Seaway," January 28, 1952, Public Papers: Truman, 1952-53, 125-28; "letter to the President of the Senate and Speaker of the House Regarding the St. Lawrence Seaway and Power Project," July 1, 1952, Public Papers: Truman, 1952-53, 451-54; memorandum, Chapman to Murphy, June 26, 1952, Files of Charles S. Murphy, Truman Papers, T.L.; letter, Truman to Senator Warren G. Magnuson, August 14, 1952, O.F. 156, Truman Papers, T.L.

[121] Memorandum, Bell to Eban Ayers, January 15, 1953, David E. Bell Files, Truman Papers, T.L.; "Annual Budget Message to the Congress; Fiscal Year 1954," January 9, 1953, Public Papers: Truman, 1952-53, 1147; letter,

The power resources of both the St. Lawrence and Niagara Rivers had been the focus of a public versus private power controversy within the state of New York and at the national level of government for a number of years. In the same watershed, both rivers were among the major water resources in the nation, and both had been partially developed by private power interests. In the case of Niagara, the Federal Power Commission had granted a license in 1921 for fifty years to the Niagara Falls Power Company. Under this authorization the company could divert a maximum of 20,000 cubic feet of water per second--the amount allowed on the United States side under a United States-Canadian treaty of 1909. (Canada was allowed 36,000 cubic feet under the agreement.)[122]

The issuance of this license signalled a fight between public and private power advocates in the state of New York. Governors Al Smith and Franklin D. Roosevelt, who held that the hydro-electric power of the Niagara and the St. Lawrence Rivers should be developed by the state

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Stanley Woodward to Truman, January 8, 1953, Charles S. Murphy Files, Truman Papers, T.L. The license for the project was awarded to the New York State Power Authority on July 15, 1953; see Docket Sheets, Project 2000, F.P.C. Files; Willoughby, The St. Lawrence Waterway, 251. The Seaway Act was finally passed on May 7, 1954 and was signed by President Eisenhower on May 8; work was completed on the Seaway in 1960; see Glaeser, Public Utilities, 521; Vennard, Government in the Power-Business, 77, Willoughby, The St. Lawrence Waterway, 264-78.

[122] Report, "Niagara Development and Democratic Power Policy, a Summary," November 12, 1949, Charles S. Murphy Files, Truman Papers, T.L.

of New York, led the public power forces. However, Smith was unsuccessful in his efforts to achieve state development, mainly because the state legislatures had Republican majorities who favored private development under long-term leases. Under Governor Roosevelt, the New York State Power Authority was finally established in 1931. This was a public body intended to protect the water power interests of the state and to work with the United States and Canadian governments in the development of St. Lawrence power.[123]

In 1934 another public power liberal from New York, Democratic Senator Robert F. Wagner, helped defeat in the Senate Foreign Relations Committee the 1929 Niagara Falls Convention between the United States and Canada. If approved, this agreement would have allowed the private utility, Niagara Falls Power Company (as well as the Hydro-Electric Power Commission of Ontario on the Canadian side) to divert a further 10,000 cubic feet of water per second during six months of maximum load for a seven-year trial period.[124]

Pressured by the Premier of Ontario to help get his province additional power from the Niagara, Canadian Prime

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[123] Ibid.; Willoughby, The St. Lawrence Waterway, 141.

[124] Report, "Niagara Development and Democratic Power Policy, a Summary," November 12, 1949, Charles S. Murphy Files, Truman Papers, T.L.; Willoughby, The St. Lawrence Waterway, 155-59.

Minister Richard Bennett in 1934 tried linking the issue with the St. Lawrence question in negotiations with the United States. At this point, the United States was not receptive. In 1935, however, Roosevelt became convinced that the two projects were part of planning for the development of the Great Lakes-St. Lawrence Basin, and he asked that a report be prepared on the Niagara situation. The result was a recommendation that a new treaty be negotiated which would provide for the development of the entire basin. Now Canada proved unreceptive, mainly because of opposition to the St. Lawrence seaway by the Ontario premier. But with the entry of Canada into World War II in 1939 and with the increased need for power and navigation for defense in both countries, negotiations resumed. Included in the resulting agreement for the development of navigation and power in the Great Lakes-St. Lawrence Basin, signed in 1941, was a provision calling for increased use of Niagara power.[125]

Temporary agreements to divert more water for badly needed power during World War II proved that more water could be used for developing power without harming the scenic beauty of the falls. This fact, together with pressure for firming up these energy diversions from

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[125] Report, "Niagara Development and Democratic Power Policy, a Summary," November 12, 1949, Charles S. Murphy Files, Truman Papers, T.L.; Willoughby, The St. Lawrence Waterway, 164-89.

Ontario, which was experiencing a serious power shortage, and from the Niagara Falls Power Company, which wanted permanent authorization to use these wartime diversions, prompted the Federal Power Commission to make an engineering study in 1949 regarding possibilities of redevelopment of the Niagara. Even before the results of this study were made public, Truman decided to proceed with negotiations with Canada for a new treaty. He had received word from the Prime Minister of Canada in May that that country was anxious to negotiate such an agreement that would enable the Hydro Electric Power Commission of Ontario to develop additional power to meet increasing needs. On September 23, 1949, Truman directed the Secretary of State to proceed.[126]

The treaty was signed by the two governments on February 27, 1950. It provided for construction of works to prevent erosion in order to conserve the beauty of Niagara Falls and allowed redevelopment of the falls and the river to permit more hydro-electric power production. The United States' share of the power capacity to be built exceeded 1,500,000 kilowatts.[127]

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[126] Report, "Niagara Development and Democratic Power Policy, a Summary," November 12, 1949, Charles S. Murphy Files, Truman Papers, T.L.; memorandum, Murphy to Truman, September 13, 1949, letter, Prime Minister Louis St. Laurent to Truman, May 27, 1949, memorandum, Truman to Secretary of State, September 23, 1949, all in O.F. 2396, Truman Papers, T.L.

[127] Report, "Power and Flood Control in the Northeast, 1952," Kenneth Hechler Files, Truman Papers, T.L.;

Public power liberals saw the Federal Power Commission report and the execution of this treaty as an opportunity for the President to make an important public power statement regarding the Niagara and St. Lawrence questions. In November 1949 Leland Olds, the former Federal Power Commission member and chairman, and former Executive Secretary of the New York Power Authority, pressed Truman to seize this chance to urge that Niagara power be redeveloped both by government and in coordination with St. Lawrence power. On its way to Truman's desk, this message passed through the hands of Presidential aide David E. Bell, who liked the ideas it contained. Later charged with the task of drafting a Presidential message to accompany the Niagara treaty when it was transmitted to the Senate, Bell used some of Olds's suggestions. Bell counseled Truman to advise the Senate that the new power be publicly developed. The President had already announced his desire for public development at a press conference, and Senator Herbert Lehman (Democrat, New York) planned to introduce legislation authorizing it when the treaty went to Congress. Therefore, wrote Bell, the issue would be thoroughly debated during consideration of the treaty in any case.[128]

Electrical World, October 8, 1951, 104; U.S., Department of State, Treaties and Other International Agreements, I, 1950 (Washington, D.C., 1952), TIAS 2130, 694-98.

[128] Memorandum, Olds to Truman, November 12, 1949, memorandum, Bell to Murphy, March 7, 1950, Niagara Falls folder, Charles S. Murphy Files, Truman Papers, T.L.

Truman was persuaded. His Special Message to the Senate Transmitting the Treaty contained the following paragraphs:

> It is clear that the additional power to be produced from the Niagara River should be considered in relation to other sources of hydroelectric power in the northeastern United States, particularly the St. Lawrence seaway and power project which is in the same watershed.
>
> The St. Lawrence project is urgently needed, of course, not only as a source of additional power, but equally as an additional avenue of transportation. Considered from the power point of view alone, however, both the Niagara and St. Lawrence sources are badly needed. The national security and the economic growth of this part of the country require that additional sources of low cost power should be rapidly developed. . . .
>
> When the Niagara treaty has been ratified, the question will naturally arise as to how additional facilities shall be developed to achieve the best use of water to be diverted for power purposes. My own views on this question are a matter of public record; I believe that the additional power facilities should be publicly constructed, in order that the benefits of the hydroelectric power produced there can be passed on to the people at the lowest possible cost to them.[129]

On July 25, 1950, the Senate Foreign Relations Committee adopted a reservation to the treaty, reserving to the United States the right to determine the method of development of Niagara water power, and on August 9, the Senate approved the agreement with that addition.[130]

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[129] "Special Message to the Senate Transmitting Treaty with Canada Concerning Uses of the Waters of the Niagara River," May 2, 1950, Public Papers: Truman, 1950, 280.

[130] Newspaper clipping, Watertown Daily Times, July 26, 1950, File 1-310, Administrative General Power Development, Northeastern General, Part 1, R.G. 48, N.A.; report, "Power and Flood Control in the Northeast, 1952," Kenneth Hechler Files, Truman Papers, T.L.; Treaties and Other International Agreements, I, 1950, TIAS 2130, 699-700.

Thereupon, three bills for Niagara redevelopment were introduced in Congress. One, sponsored by Senator Lehman and Representative Franklin D. Roosevelt, Jr. (Democrat, New York) and supported by the Department of the Interior, provided for construction of the power works and installation of transmission facilities by the Federal government. Eventually, under this proposal, operation would be turned over to an agency of New York State, subject to the approval of Congress and the New York State Legislature under terms that would safeguard the Federal preference principle. If no such agreement could be reached, the project would be operated by the Corps of Engineers, and power would be marketed by the Secretary of the Interior. A counter proposal, introduced by Senator Irving M. Ives and Representative W. Sterling Cole (Republicans, New York) would have allowed the New York Power Authority to build the project through funds raised by issuing tax-free bonds. This bill provided for regulation only by the New York State Legislature and contained no assurance that the preference policy of the Federal government would be followed. A third bill, sponsored by Senator Homer Capehart (Republican, Indiana) and Representative William E. Miller (Republican, New York) and supported by the National Association of Electric Companies and the New York State Chamber of Commerce, provided for turning the entire redevelopment of the Niagara over to private power. Five private companies would build the power project and distribute the power with no concern for Government preference customers. Rates would be subject only to state regulation.[131]

Hearings were held on these bills before subcommittees of the Senate Public Works Committe August 21 and 22 and the House Public Works Committee from September 19 to 21, 1951. Presenting private power's side of the argument and urging passage of the Capehart-Miller bill, was Earle J. Machold, President of Niagara Mohawk Power Company. He told the committee members that his company and four others stood ready to form a company that would finance and build the projects. Private development was desirable, argued Machold, because citizens from other parts of the country should not have to pay for building the project. No taxes would be paid on the project if either the Federal or the New York State government were to build it, he said, while under private development, approximately $23,000,000 annually would be paid in local, state and Federal taxes. Machold further contended that there was no reason to put the Federal government into a "pure electric power venture," which its proposal would do. If authorized to proceed with the project, the group of companies would "distribute the available power in such manner as to realize its most economic potentialities to the end that maximum benefits would flow to as many consumers as possible."[132]

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[131] Newspaper clipping, Thomas L. Stokes, "Private Power Renews Attack," Washington Evening Star, February 25, 1952, File 110, administration and Planning, Authorization and Policies, R.G. 115, N.A.; New York Times, January 6, 1952, III, 7; Electrical World, October 8, 1951, 104.

John E. Burton, Chairman of the New York Power Authority, testified in favor of the Ives-Cole bill. Expressing skepticism about the likelihood of an agreement ever being worked out between the Federal government and the Authority if the Lehman-Roosevelt measure were adopted, Burton declared, "Senator Lehman's bill is just an open invitation to block us and to set up conditions that the Power Authority . . . could not accept." The bills calling for state development and control, however, would, in his opinion gain the objective of getting "the most power to the most people at the lowest cost" in the Northeast.[133]

Assistant Secretary William E. Warne presented Interior's case on behalf of the Lehman-Roosevelt bill. Stressing the urgent need for the development of the large block of hydro-electric power potentially available under terms of the 1950 treaty, Warne pointed out to the Senate subcommittee that under the agreement Canada could use a portion of the United States' share of Niagara water. The bill that called for the Power Authority of New York to build the project "would amount to a surrender of elementary responsibilities of the Government for this project"[134] and made no provisions for supplying preference customers in New England, Ohio, Pennsylvania or New York with low cost power. Because the Capehart-Miller measure also lacked such safeguards and because it would mean turning over to private power companies a project second in capacity only to the Hoover and Grand Coulee Dams, Warne told the Senators, the Interior Department recommended that neither of these bills be approved.[135]

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[132] U.S. Congress, Senate, Hearings before Senate Committee on Public Works on the Project for Redevelopment of Niagara Falls, 82d Cong., 1st sess. (Washington, D.C., 1951), 163-64; see also 153-62.

[133] Ibid., 110, 113; see also 114-37.

No action was taken on any of these bills, partly because the Senate and House had agreed not to consider any new controversial measures during the remainder of the session.[136] Therefore, the problem of Niagara redevelopment still faced the Congress and the Administration when the second session of the Eighty-Second Congress began in January 1952. In his annual budget message Truman asked Congress to appropriate $1,000,000 in planning funds for the "urgently needed redevelopment of Niagara power facilities made possible by the treaty with Canada," and recommended that Congress pass the necessary legislation to allow construction of the project to begin.[137]

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[134] Ibid., 191.

[135] Ibid., 194; "Statement of Assistant Secretary Warne at Hearings of House Committee on Public Works on the Project for Redevelopment of Niagara Falls," September 20, 1951, File 1-310, Administrative General, Power Development, Northeastern General, Part 3, R.G. 48, N.A.

[136] Electrical World, October 8, 1951, 105.

In 1952 the general debate between private and public sympathizers grew louder and angrier. On February 25, the columnist Thomas L. Stokes told his readers that the private utilities had recently "launched the most extensive and highly financed campaign since early New Deal days" in an effort to strangle the Government's public power program. He described this phase of the public versus private power fight in this way:

> Broadly, and along a wide front, the aim of the private utilities is to grab off remaining choice power sites . . . and without the preference established by law for local public bodies and cooperatives, to direct distribution and sale on their own terms and to whom they please. . . .
>
> Just now the fight is concentrated on the projected power development of the Niagara River, distinct from the Great Lakes-St. Lawrence waterway also now before Congress. Offices of Members of Congress are flooded with expansive propaganda in behalf of construction of this power project jointly by five private companies. That would abolish completely the preference guaranty. . . .
>
> The preference clause, likewise, would be eliminated under a proposal for the New York Authority to construct the project. . . .
>
> The fight, under way in other sectors, also has brought a conflict among Government agencies. In the Pacific Northwest, for example, the movement in Washington of public utility districts . . . to purchase and operate the Puget Sound Power & Light Co. and the Washington Water Power Co. . . . is being blocked in procedures now before the Securities and Exchange Commission. . . .
>
> In other areas the Interior Department . . . is in conflict with the Federal Power Commission which had granted private utilities licenses for remaining choice sites on river systems where the Federal Government has built upstream dams and provided for the

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[137] "Annual Budget Message to the Congress: Fiscal Year 1953," January 21, 1952, Public Papers: Truman, 1952-53, 89.

> coordinated development of the whole system that makes the remaining sites so valuable such as the Roanoke River in Virginia and Kings River in California. These issues now are before the courts.[138]

Public power promoters in the Government agreed with Stokes's assessment that private power was stepping up and widening its attack. Senator Murray, the long-time defender of the public power position in Congress, entered the article in the Congressional Record.[139] Secretary of the Interior Chapman described the current struggle in much the same way as Stokes had in a report requested by the President on attacks both from within and without the Government on the Administration's public power policies. Wrote Chapman:

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[138] Washington Evening Star, February 25, 1952, in Congressional Record, 82d Cong., 2d sess., 1952, XCVIII, 2265. The reference to the thwarting of Administration public power policies by the Securities and Exchange Commission pertained to that body's activities with regard to efforts by American Power and Light Company to sell its subsidiary, Washington Water Power, and efforts to buy it on the part of a group of public utility districts in the state of Washington during 1951 and 1952. In trying to sell the company, American Power and Light Company was acting in pursuance of a 1942 Securities and Exchange Commission ruling that the company be dissolved. The Commission stepped in when announcement of the impending deal was made and called hearings to determine if it had jurisdiction. Then, because of a tie vote, the body decided not to claim jurisdiction. The sale was subsequently blocked by state courts' orders. The Commission then gave the parent company until January 1, 1952 to complete the deal or arrange to sell Washington Water Power's common stock to its own stockholders. Another attempt at purchase by a group of Washington Public Utility Districts was made in early 1952. After a series of circuit court actions which attempted to block the sale, the American Power and Light Company withdrew its plan to sell to the Public Utility Districts and substituted one for selling its common stock to its stockholders. The Securities and Exchange Commission approved the plan, and private power hailed the decision as a great victory. See New York Times, January 8, 1950, III, 1, October 1, 1950, III, 1, February 16, 1951, 35, February 27, 1951, 35, October 16, 1951, 45; Electrical World, January 30, 1950, 87, October 22, 1951, 96; Public Utilities Fortnightly, January 31, 1952, 164-65.

[139] Congressional Record, 82d Cong., 2d sess., 1952, XCVIII, 2264.

> Private power interests have unquestionably mobilized an insidious all-out drive against the Administration's power program.
>
> This campaign is being pressed aggressively, regardless of its effect on the national defense. It is clearly timed and directed to take over the control of Federal power projects and our major undeveloped power resources as one of the big stakes in the 1952 elections.[140]

The Secretary noted the various areas of the country where private power was attacking which included the Niagara-St. Lawrence area, and also pointed out the lack of cooperation on the part of some Federal agencies, particularly the Federal Power Commission and the Securities and Exchange Commission, in furthering Administration power policy.[141]

Because he viewed the Niagara and St. Lawrence development proposals as key issues on which the Administration should make its last stand, Chapman urged the President to maintain the Administration's "strong and consistent" record in handling further proceedings concerning these two plans. The Secretary wrote Truman,

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[140] Memorandum, Chapman to Truman, February 9, 1952, Correspondence File, General, 1949-1953, Chapman Papers, T.L.

[141] _Ibid._

> As you know, the opponents of public power, who already have gained substantial victories in the Roanoke Rapids case, Hells Canyon, Kings River and the Southeast transmission program, are eyeing avidly the outcome of the St. Lawrence so as to seize upon new devices for wrecking completely the Administration's program.[142]

As the general quarrel intensified, private power accelerated its campaign to educate the people regarding public power's threat to the free enterprise system. The five New York power companies who wanted to redevelop the Niagara issued a booklet called "More Power from Niagara," putting forth this idea. Private utility companies, particularly those in the East where the focus of the fight lay at this time, increased their advertising in major magazines, and spokesmen continued their denunciation of public development with increased emphasis on the concomitant danger of socialism. On May 20, the head of Consolidated Edison of New York said in a speech to stockholders, which was carried in the New York Times:

> To the power socialists this Niagara project is but one step in their program to create a nationalized power system with the taxpayers' money.[143]

The President of the Niagara Mohawk Power Company declared at an Edison Electric Institute Convention in June that "socialization" of the power industry was "merely a toss of the coin" if the Federal government were allowed to develop additional hydro power from the Niagara River.[144]

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[142] Memorandum, Chapman to Murphy, June 26, 1953, O.F. 556, Truman Papers, T.L.

[143] New York Times, May 20, 1952, 40; Electrical World, February 18, 1952, 6.

Private power proponents succeeded in rallying considerable outside support for their cause in the Niagara redevelopment case. Since this was a clear-cut public versus private power question, with no side issues such as flood control, navigation or irrigation, private power exponents could effectively appeal to people in other areas of the economy who feared that their sectors might eventually become "socialized," as well. Medical societies in some New York counties and the American Medical Association itself jumped on the bandwagon. Other organizations that went on record as favoring the Capehart-Miller bill included the New York City Federation of Women's Clubs, the Pomona Grange, the New York State Society of Professional Engineers, the New York State Chamber of Commerce and both utility and electrical workers' unions of the American Federation of Labor and the Congress of Industrial Organizations in New York.[145]

The New York State Chamber of Commerce president warned that if the Federal government were allowed to proceed with its policy of developing all the water resources in the country, it would ultimately effect "socialization of the private electric power industry with the way cleared for the nationalization of other industries."[146]

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[144] New York Times, June 4, 1952, 39.

[145] Electrical World, February 18, 1952, 6; New York Times, January 4, 1952, 11, March 25, 1952, 37, May 30, 1952, 2.

The utility and electrical workers' unions backed private development of Niagara, as unions were tending to do in other public versus private power fights in this period, because private power companies practiced collective bargaining. A Congress of Industrial Organizations utility workers' spokesman told Interior Department representatives that while his union favored multiple-purpose government development of river basins, it did not support Federal single-purpose development such as that proposed for the Niagara. He, as well as a representative of the International Brotherhood of Electrical Workers, American Federation of Labor, emphasized that workers were often deprived of bargaining rights on public projects and invariably received lower wages and less favorable working conditions than in private power jobs.[147]

Attacked on all fronts, public power proponents decided to strike back. In May, some 500 representatives of labor, farm and consumer groups met in Washington, D.C. to organize a permanent public power pressure group. A continuing committee was formed, headed by Clyde Ellis and given power to visit the President and maintain contact with Congress. Speaking at this charter meeting of the

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[146] New York Times, January 20, 1952, III, 4.

[147] Memorandum, Director, Northeast Field Staff to Acting Director, Program Staff, File 1-310, Administrative General, Power Development, Northeastern General, Part 3, R.G. 48, N.A.; Electrical World, March 17, 1952, 5.

Electric Consumers Conference, President Truman hit hard at the utility lobby's advertising techniques. Referring to the "millions and millions of dollars" that this lobby, as well as individual companies, spent on magazine and radio advertisements to try to check public power, Truman told the conference that the purpose of these campaigns, in the words of the companies themselves, was to "influence the mass mind in this country by playing on peoples' emotions." Then, in an apparent effort to strike back at private power for its years of "socialist" name calling, the President indulged in some of the same technique. By intending to play on the emotions of the public, he said, private power companies had "taken a leaf right out of the books of Karl Marx and Adolf Hitler. They are following the Soviet and Fascist lines."[148]

In his speech, Truman referred to a magazine advertisement paid for by a private utility company and intended to persuade readers that Federal government development of Niagara River power would be costly for all citizens, while private power could do the job without any cost to the public. The President replied to this claim by remarking that that kind of Federal investment was one "for the people of the whole United States, and it is an investment and a self-liquidating investment."[149]

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[148] "Address Before the Electric Consumers Conference," May 26, 1952, Public Papers: Truman, 1952-53, 372; see also The Nation, June 7, 1952, 551-52; Electrical World, June 2, 1952, 70-71.

In the Niagara River redevelopment question, public power advocates found themselves engaged in a three-cornered fight. The Administration was battling not only private power exponents but those who favored New York State development as well. Animosity between the Interior Department and the New York Power Authority increased during 1952 when the Administration came to believe early in the year that the Authority was lining up on the side of private power. It was then that the New York public body's annual report, containing a repudiation of its prior commitments to follow basic Federal power policy in handling St. Lawrence-Niagara power, was published. The Authority now backed a plan for selling such power to private utilities at the bus bar and sending it over their lines without adequate preference safeguards for Rural Electrification Administration customers and public bodies. Chapman wrote the President concerning the report:

> This political document is another example of the campaign against the Administration's power program. . . . It confirms my impression, which I have related to you, that the Power Authority is a vigorous tool of the private utilities.[150]

Speaking before the National Rural Electric Cooperative

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[149] "Address Before the Electric Consumers Conference," May 26, 1952, Public Papers: Truman, 1952-53, 372.

[150] Letter, Chapman to Truman, February 14, 1952, File 1-310, Administrative General, Power Development, Northeastern General, Part 4, R.G. 48, N.A.

Association's annual convention, the Secretary charged that the Authority aimed to "turn over Niagara and St. Lawrence power to private companies at the bus bar."[151]

The Chairman of the Authority countered with the claim that Chapman had "clearly spelled out" a fight on the issue and added that "no responsible state can bear his insult or avoid the challenge."[152]

Thus, the three-sided argument continued with the only chance for resolution lying with Congress. However, 1952 was an election year, and no party to the controversy could be sure enough of victory to push for a decision. Therefore, no hearings were held on any of the bills concerning Niagara redevelopment, and none emerged from committee during the second session of the Eighty-Second Congress. As in the cases of Kings River, Roanoke Rapids and Hells Canyon, the question of whether public or private power would redevelop the Niagara River was left unanswered when the Truman Administration departed from office on January 20, 1953.[153]

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[151] New York Times, March 14, 1952, 8.

[152] Ibid.

[153] This deadlock between public and private power exponents continued throughout Eisenhower's First Administration and into his Second Administration, with the President coming out in favor of New York State development. Representing a compromise, a bill finally passed in 1957 which provided that New York State would build the power project, with 50-50 allotments of kilowatts to public and private power. See New York Times, January 30, 1953, 30, May 15, 1953, 6, June 22, 1953, 36, September 23,

V

Truman Administration public power liberals fell far short of victory in this phase of the public versus private power fight in which they were struggling to save four of the remaining choice water sites for public development. Although the final decision had not been reached in any of the cases when Truman's term of office expired, in none did a Government victory appear likely.

In January 1953, the petition for review of the Kings River case was still pending before the Circuit Court, but the Federal Power Commission had already made two decisions on it that were contrary to the wishes of the Administration. The Roanoke Rapids problem was in the hands of the Supreme Court awaiting a decision; however, the Federal Power Commission and the Circuit Court had both ruled against Federal development. The Hells Canyon question still lay with the Federal Power Commission. With Congress showing no indication that it would act in the Government's favor, the Commission postponed hearings until 1953 when an administration expected to be more sympathetic to private power would be in office. The outcome of the Niagara River case was left even more open to question than the other three. Resolution lay in Congress with Federal, state and private development exponents each steadfastly

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1953, 1, October 19, 1955, 54, February 12, 1956, 12, 66, July 26, 1956, 10, August 21, 1956, 11, August 28, 1956, 3, December 1, 1956, 1, August 1, 1957, 1, August 13, 1957, 1.

holding their own. However, with a Republican Administration in office in 1953, some compromise of Federal power principles as they had developed under Franklin Roosevelt and Truman seemed highly probable.

The eventual outcome of all four of these controversies would hold great significance for the future of these liberal public policies. In the cases of Kings River, Roanoke Rapids and Hells Canyon, the main question to be resolved concerned whether a Federal comprehensive plan for the development of a river basin that had been approved by Congress could be broken by the Federal Power Commission's granting of licenses to private utilities for construction of projects on the very sites included in the Government plan. Another vital issue involved whether private power should be allowed to "skim the cream" from hydro-electric projects in which the Government, using taxpayers' funds, had invested large sums of money. Federally built Buggs Island Dam and Pine Flat Dam made the Roanoke Rapids and Kings River sites, respectively, especially valuable.

An aim of Truman Administration officials who sought public development of these four sites was one that lay behind all public power philosophy--to provide larger amounts of electric power at a lower cost, thus stimulating the use of electricity and making possible a higher standard of living. To achieve this goal, the principle of granting preference to cooperatives and public bodies also had to be maintained. In the case of Roanoke Rapids, the Secretary of Interior went so far as to back up his claim that he was an aggrieved party by describing himself as a competitor with a private power company. If the Corps of Engineers were not allowed to construct the project, the Secretary would not be able to market as much power at as low a cost to preference customers. In the Niagara redevelopment controversy, Chapman fought just as hard against the public New York Power Authority as he did the private Niagara Mohawk Power Company because he believed that both would subvert the Federal preference principle.

The implied admission in Interior's claim to be an affected party in the Roanoke Rapids case was that the Government no longer needed to defend Federal power as being "incidental" to other functions of government more clearly spelled out in the Constitution, namely navigation and flood control. However, when accused of wanting to develop Hells Canyon solely for electric power since the Reclamation Bureau would be developing a site for the first time with irrigation omitted as a purpose in the authorizing legislation, Department officials stressed, as they had all along in this case, the wide range of other benefits Government development would provide. The Niagara question constituted a clear-cut power issue. In it the Government admitted openly for the first time that it possessed the right to develop a site for the primary purpose of developing electric power.

As in the struggles over steam and transmission facilities and wheeling agreements, the Government's failure to effect a resolution concerning these sites that was favorable to public power cannot be attributed solely to lack of effort by Administration officials. Some men, almost exclusively Interior Department employees, worked hard to save these sites. Although Secretary Krug did his part during 1949, the man who towers above all others in terms of determination and expenditure of energy was Oscar Chapman. He was ably assisted by such lieutenants as C. Girard Davidson, William E. Warne and Gregory Hankin.

In the three cases where a private company applied to the Federal Power Commission for a license to develop hydro-electric power--Kings River, Roanoke Rapids and Hells Canyon--Secretaries Krug and Chapman filed petitions to intervene and ably presented Interior's case before that body. When the Commission decisions went against him in the Kings River and Roanoke Rapids cases, Chapman tried to get them reversed in the courts. He testified personally before the Power Commission in the Kings River case, took the Roanoke Rapids case to the Supreme Court on his own when the Solicitor General refused to handle it, testified at hearings before Congress in favor of bills to authorize Federal development of Hells Canyon and the Niagara River and urged the President to effect executive branch unanimity in order to win this phase of the public versus private struggle.

President Truman performed about as positively in this effort to save the four sites as he had in the steam and transmission facilities and wheeling agreements aspect of the fight. He approved the comprehensive plans for the development of the basins which included the Roanoke Rapids and Hells Canyon projects. He had his aides draft legislation to effect Bureau of Reclamation construction of Hells Canyon and recommended that the project be built in his budget message for 1953. During the Niagara controversy Truman sent a strong public power message to Congress when he transmitted the 1950 treaty, and he asked the legislators for funds for planning Niagara redevelopment and for legislation to allow construction to begin in fiscal 1953.

Although he did not press recalcitrant Government agencies to get into line as hard as he might have in order to achieve executive branch unanimity of purpose on public power, the President did pressure the Justice Department to grant Chapman permission to take the Roanoke Rapids case to the Supreme Court. Furthermore, he did try, although without success, by his renomination of Olds and his support for his nominee in the face of Senate opposition to make the body into a more effective instrument of liberal Federal power policy.

In some instances Truman's wishes and motivations were unclear. Although the President's nomination of Wallgren as a Federal Power commissioner was regarded as a positive step by liberals, his naming Wallgren chairman after he voted with private power on Kings River left them wondering. Another puzzling action took place during the Interior Department's fight to save the Kings River site for Federal development when Truman provided the opposition with ammunition by failing to approve the proposed North Fork power projects as part of the Bureau's comprehensive plan for the Central Valley. Later, after the Commission's decision allowing private development, Truman clarified his position by stating that these projects were essential to the plan and should be begun as soon as detailed reports found them feasible.

The lack of cooperation and even opposition that came from other Government agencies played a large role in the Truman Administration's failure to save four remaining choice power sites. With regard to the Roanoke Rapids case, the Solicitor General in the Justice Department refused to carry on Interior's litigation before the Supreme Court, and the Corps of Engineers provided no cooperation even though it was the agency designated to build the project under the Federal plan. Neither did the Engineers object to the granting of a license to the Pacific Gas and Electric Company to develop the Kings River site.

The Federal Power Commission presented a big stumbling block to Interior Department success in three of the four contests. In the Kings River and Roanoke

Rapids cases, its staff counsel pre[illegible]ed briefs favoring private power development, its chief examiner found for the private untility in the Roanoke Rapids application and it granted licenses to the private power company applicant in both instances. The Commission tried to persuade the Solicitor General to refuse Chapman's request to represent Interior in Circuit Court on the Kings River issue, and it refused to cooperate with Interior Department attorneys even to the extent of agreeing that only substantive questions be presented before the Supreme Court in the Roanoke Rapids case. Furthermore, by scheduling no hearings and issuing no opinion during 1951 and 1952 on the Hells Canyon application, the Federal Power Commission hurt chances for Congressional action on the bill that would have authorized Federal government construction of the high dam. Only in the struggle over the Niagara site did the Power Commission have no influence since by the reservation to the 1950 treaty Congress had to act before a license could be granted.

Except for some interest shown by the Department of Agriculture at the end of 1952 in the Hells Canyon case and the handling of the Kings River case for the Department by the Solicitor General, Interior stood alone among the Government agencies in the fight to save these four sites for Federal development.

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A second factor which contributed to Interior's lack of success, especially in the Hells Canyon and

Niagara cases, was the effectiveness of the opposition. In the struggle over Hells Canyon, the Idaho Power Company succeeded in persuading a good number of people in Idaho and Oregon, particularly farmer and business groups, that its plan was superior to the Federal one. The entire Idaho delegation in Congress opposed the Government plan, and the governor of the state was an outspoken opponent. This sentiment in the area, combined with the anti-public power attitude of key members of the Interior and Insular Affairs Committee, gave the bill that would have authorized Hells Canyon Dam little chance in Congress.

In the Niagara redevelopment campaign, private power hit hard its familiar "road to socialism" theme in magazine, radio and newspaper advertisements and speeches. This line of argument brought support from groups in other sectors of society. Labor was also an outspoken opponent of public development of the Niagara site.

For these reasons, the four hydro-electric sites were not preserved for Federal development, and because of this the Truman public power policies stood considerably weakened in January 1953.

CHAPTER VII

EFFORTS TO ENUNCIATE A FEDERAL POWER POLICY

All of the aspects of the public versus private power struggle that occurred during Truman's Second Administration--controversies over water resource organization, Federal power marketing agencies, steam and transmission facilities and the remaining choice power sites--served to focus attention on the fact that the Federal government had no clearly enunciated power policy.

Private power exponents, especially those in the Congress charged with approving appropriation requests for the expansion of public power, often deplored the absence of such a statement which could have served to guide them in their decision making. For the most part, these people preferred to have Congress, rather than the executive branch, set the policy because it would be more likely to create one that coincided with private power aims. Furthermore, power policy would then be established in law so that a President devoted to the expansion of public power would not be able to carry out his wishes without the cooperation of Congress.

Voting on the appropriation of funds for power marketing activities of the Interior Department was one of these occasions when Congressmen expressed a desire for more definite guidelines. During discussion of the granting of funds for the Bonneville Power Administration before the Interior Subcommittee of the Senate Appropriations Committee in 1949, for example, Senator Kenneth Wherry (Republican, Nebraska), who usually sympathized with private power interests, remarked

> We get back to the old difficulty which is that we do not have a uniform policy. That is what our trouble is. In one place we furnish a substation; in another place we do not. In one place we build a transmission line and carry the juice hundreds of miles; in another place we make the purchaser take the juice at the bus bar. We have a conflict because we do not have a uniform policy.[1]

Senator Elmer Thomas (Democrat, Oklahoma), a member of the subcommittee considering appropriations for the Department of the Army, Civil Functions, in 1949 remarked during an exchange about whether private power companies or the Interior Department should market power from Corps of Engineers projects in the Southeast:

> I am going to insist that we have a public power policy developed and announced, so that everybody, private and public power advocates, can know exactly what they can expect.[2]

Members of Congress also bemoaned the lack of a broad national power policy when they were faced with the specific problem of voting for or against appropriations for transmission lines and steam facilities. Some tried to get language inserted into appropriation bills requiring Interior to attempt to negotiate wheeling contracts with private utilities before beginning construction of transmission lines. Although this effort rarely succeeded, appropriation and conference committee reports on a few occasions contained such directives.[3] In 1949, an outstanding opponent of granting Southwestern Power Administration funds for such purposes, Senator Elmer Thomas, commented

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[1] Senate, Hearings on Interior Department Appropriations Bill for 1950, 81st Cong., 1st sess., 203.

[2] Senate, Hearings on Department of the Army Appropriations Bill for 1950, 81st Cong., 1st sess., 1149.

> The trouble has been that the Congress has not yet developed . . . a public power policy, forcing the appropriations committee to write it.[4]

The Agriculture Subcommittee of the Senate Appropriations Committee in July 1950 lamented the fact that there was no established policy to guide it on the question of whether the Southwestern Power Administration should use its continuing fund for leasing generating and transmission facilities from "super-cooperatives."[5]

In 1951, Senator Guy Cordon (Republican, Oregon), a member of the Interior Subcommittee of the Senate Committee on Appropriations and a long-time supporter of private power interests, decided the time had come for Congress to act. During discussion of a contract that Pacific Gas and Electric Company had offered the Government, he stated that private utilities in various sections of the country were making similar attempts to negotiate agreements. Observed Cordon,

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[3] See, for example, Chapter V above, passim.

[4] *Congressional Quarterly*, V (1949), 212.

[5] *Public Utilities Fortnightly*, August 3, 1950, 163.

> Frankly, it seems to me this thing is now reaching a point where the Congress, through legislation, is going to have to enunciate a power policy.[6]

Private power exponents outside the Government also became increasingly interested in the promulgation of a national power policy. In March 1950, discussion of the need for such a statement was placed on the program of the annual meeting of the United States Chamber of Commerce to be held in May.[7] The Wall Street Journal commented in June that so important a policy point as that to be decided in the Roanoke Rapids and Kings River cases should not be left to be decided by a Federal commission "which is necessarily a creature of the President in office." Rather, it continued, "it is the clear duty of Congress to declare the national policy in this field." And the paper urged the private power industry to ask Congress to do so if it wanted to save itself "from ultimate destruction."[8]

Some public power proponents from time to time also wanted a more clearly defined national power policy. They wanted the initiative to come not from Congress however, but from the executive branch, which, under the Truman Presidency, would be more likely to set down a policy in line with their beliefs. Several attempts, some more concerted than others, were made by public power advocates in the Administration to come to grips with the problem during the period 1949-1952.

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[6] Senate, Hearings on Interior Department Appropriations Bill for 1952, 82d Cong., 1st sess., 109.

[7] U.S. Chamber of Commerce, "Business in Action," a Weekly Report, March 31, 1950, in File 1-310, Administrative General, Power Development, Administrative, Part 7, R.G. 48, N.A.

[8] Newspaper clipping, Wall Street Journal, June 29, 1950, Wallgren Papers, T.L.

II

One possibility, considered briefly in 1950, was to rejuvenate the old National Power Policy Committee, set up in 1934 by President Roosevelt to help set Federal power policy.[9] President Truman had expressed to Secretary Krug in 1947 some interest in reactivating the body. At that time, Interior asked the Executive Secretary of the Committee, Joel D. Wolfsohn, to circulate a letter to other member agencies, asking their opinion. These agencies were the Reconstruction and Finance Corporation, Securities and Exchange Commission, Tennessee Valley Authority, Federal Power Commission, Federal Works Agency, Rural Electrification Administration, the War Department and Bonneville Power Administration. All except the War Department and the Bonneville power Administration voted against regenerating the Committee.[10]

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[9] See Chapter II, above.

[10] Letter, Joel D. Wolfsohn, Executive Secretary, National Power Policy Committee, to Krug, January 10, 1947, File 1-288, Administrative General, National Power Policy Committee, General, Part 5, R.G. 48, N.A.

The Interior Department was divided in 1947 on the question of reactivation. Assistant Secretary Davidson favored it, while Arthur Goldschmidt, who represented the Department on the Committee, opposed it. Secretary Krug was not enthusiastic. However, because he thought the President wanted the committee revitalized, the Secretary called a meeting of representatives of the member agencies in order to give those who had voted "no" a chance to reconsider. Krug told the group in September that it should have more than a fact-finding role; it should become a policy-making body and serve as an advisory committee for the President. He indicated that Truman agreed.[11]

Most of the agency representatives in attendance showed considerable interest in Roosevelt's letter of July 9, 1934 establishing the Committee because they apparently had no inkling of the intended function of the body. Only the War Department and Bonneville Power Administration expressed an interest in maintaining the Committee at this meeting. Both felt that Federal power policy needed to be spelled out. The Rural Electrification Administration representative opposed reactivating the Committee because he felt that any stirring in this area of "power policy would be seized upon by our enemies and interpreted . . . to suit their views." He further stated that no broad policy needed to be set down because the Flood Control Act of 1944, the Rural Electrification Act and other basic laws provided "the pattern for the present power policy." Concerned about his agency's authority in the public power field, the Federal Power Commission representative said he was willing for the Committee to continue if it did not more than "coordinate in a loose sort of way."[12]

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[11] Memorandum, Carl Hamilton, Assistant Administrator, Rural Electrification Administration, to C. R. Wickard, Administrator, Rural Electrification Administration, September 10, 1947; letter, Krug to Wickard, August 26, 1947, Office Files of Claude Wickard, Rural Electrification Administration, R.G. 221, N.A.; memorandum, Arthur Goldschmidt to the Files, October 6, 1947, File 1-288, Administrative General, National Power Policy Committee, General, Part 5, R.G. 48, N.A.

This meeting underlined the strife, jealousies and suspicions that existed among the Federal agencies concerned with power activities and foretold the difficulties that the Administration would experience in efforts to spell out a power policy. Prior to the gathering, the Rural Electrification Administration speculated on the strategy behind the calling of such a meeting. Conjecture ranged from the possibility that Interior was about to make a "frontal attack" to the chance that the President had decided to use the National Power Policy Committee to analyze the vulnerability of Congress and form a campaign plank on the issue.[13] Apparently feeling that the Bureau of the Budget often worked against their interests, all of the agencies wanted to exclude the Bureau from the Committee except perhaps as an observer. As the Rural Electrification Administration staff member put it, "Everybody gave the Budget Bureau a good kick as they went by." That the Departments of Agriculture and Interior often teamed up against the Federal Power Commission and the Corps of Engineers was indicated when Assistant Secretary Davidson of Interior told Hamilton of the Rural Electrification Administration after the meeting that he thought the Committee could be reorganized so as to keep the Federal Power Commission and the War Department in a minority position.[14]

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[12] Memorandum, Hamilton to Wickard, September 10, 1947, Office Files of Claude Wickard, Rural Electrification Administration, R.G. 221, N.A.

[13] Memorandum, H. S. Person, Consulting Economist to Hamilton, Assistant Administrator, Office Files of C. R. Wickard, 1947-49, Rural Electrification Administration, R.G. 221, N.A.

On October 22, the Secretary of the Interior reported to the President that replies from these agencies indicated that the Committee could serve a useful function.[15] However, little was heard from it again. One representative from each of nine agencies was appointed as a member, Krug was named Chairman and Nelson Lee Smith (the Federal Power Commission Chairman) was picked to be Vice-Chairman, but the executive secretary position remained vacant.[16]

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[14] Ibid.

[15] Letter, Krug to Wickard, October 22, 1947, File 1-288, Administrative General, National Power Policy Committee, General, Part 5, R.G. 48, N.A.

[16] Letter, John P. Robertson, Assistant to the Director, Division of Power, to Stephen G. Kelley, Supervisor of the City Record, Manhattan, January 11, 1949, ibid.

In reply to an inquiry from a citizen in October 1948, an Interior Department employee described the aims and functions of the National Power Policy Committee as follows:

> It is the purpose of the National Power Policy Committee to develop a national power policy in the interest of national defense as well as peacetime needs. It considers power problems common to the several departments and agencies represented on the Committee with the view to a coordinated development of a consistent Federal power policy. It plans for the closer cooperation between public and private agencies supplying electric power to the end that electricity may be made more broadly available at cheaper rates. The Committee acts in a capacity advisory to the President.[17]

However, these functions existed only on paper. No meetings of the Committee were held between September 9, 1947 and late July 1950 when Joel D. Wolfsohn, now an assistant to the Secretary, wrote Chapman suggesting that he might want to consider whether the Committee should be reactivated. The reason Wolfsohn gave was that since one agency of Government might be designated as the leader in power matters, it could be wise to have a Government-wide advisory organization on power policy.[18]

The Committee, however, was allowed to die a natural death; for, by this time the Administration was exploring other avenues for enunciating a broad, national power policy. One of these was the President's Water Resources Policy Commission, established in January, which was studying major questions relating to water resources with the objective of making recommendations for their solution. Another was the current Interior investigation into the possibility of revising the 1946 Ickes memorandum on which Department power policy was based.

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[17] John P. Robertson to Dr. Ralph R. Reuter, October 11, 1948, ibid.

[18] Memorandum, Joel D. Wolfsohn to Secretary Chapman, July 27, 1950, Wolfsohn Papers, T.L.

III

Approximately two weeks before Wolfsohn inquired into the likelihood of pumping some life back into the National Power Policy Committee, Secretary Chapman wrote the Commissioner of the Bureau of Reclamation; the Administrators of the Bonneville, Southwestern and Southeastern Power Administrations; the Director of the Division of Power; Assistant Secretary William E. Warne and the Department Solicitor asking them to submit a revised draft of the January 3, 1946 Memorandum on Power Policy to All Staffs of the Interior Department. Chapman noted that he thought the memorandum should be reviewed and revised in the light of developments that had occurred since 1946. As reasons, he mentioned the increased power activities of the Interior Department since that time, new legislation that had been proposed and passed and the fact that the President had spoken directly of Government power activities on several occasions. The Secretary asked that special attention be given to "basic principles" some of which, such as wheeling contracts, had recently been subjects of controversy.[19]

The project did not generate enthusiasm among those agencies approached. At least some of the people solicited could recall and probably were influenced by the difficulties that had arisen at the time the original memorandum was written. Having asked his staff members to submit to him a memorandum on Departmental power policy for promulgation, the then Secretary of the Interior Harold L. Ickes had considered two drafts, one sponsored by the Commissioner of the Bureau of Reclamation, Michael Straus, and the other by Under-Secretary Abe Fortas. Fortas' statement contemplated an aggressive public power policy to be assumed by the Interior Department. Its position that transmission lines to present and potential preferred customers be built, owned and operated by the Government went beyond statutory authority and, if followed, would have ruled out the use of private utility transmission facilities and the wheeling contracts negotiated by the Department of Interior with private companies later on.[20] The Fortas draft also envisioned a positive and open campaign by the Interior staff to give "active assistance" to the organization of public distribution agencies "in each project area."[21]

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[19] Memorandum, July 10, 1950, File 1-310, Administrative General, Power Development, Administrative, Part 7, R.G. 48, N.A.

[20] Memorandum, Fowler Harper, Solicitor, to Secretary Ickes, August 7, 1945, ibid., Part 5.

Although he believed that "attaining a long overdue enunciable Departmental power policy" constituted a desirable objective, Straus objected to the Fortas draft because he believed the law did not authorize these two statements. Since the memorandum would have to be made public, such "policy would be effectively foreclosed by such pronouncement," warned the Commissioner. He therefore submitted his own draft which omitted such revisions.[22]

Ickes resolved the matter by asking the Interior Department Solicitor (Warner Gardner) to compare the two drafts and suggest an answer. The solicitor's version revealed a change in the Fortas principle regarding transmission lines which now made it possible for privately-owned transmission outlets to deliver power to Government preferred customers within the project region if they were "made available upon terms" that would "assure full accomplishment of the basic objectives of the Congressional power policy."[23]

However, the Fortas principle regarding Government aid in the establishment of public bodies remained substantially the same.[24] Straus informed the Secretary that he approved of the memorandum with the exception of this portion, designated as II-a. Although the Commissioner sympathized with the principle, he felt that since the law did not warrant so strong a statement, it would be open to criticism "by both sides."[25]

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[21] Ibid.

[22] Memorandum, Straus to Ickes, October 22, 1945, ibid.

[23] Memorandum on Power Policy to All Staffs of the Department of the Interior, January 3, 1946, ibid.

Assistant Secretary Warne expressed his approval of paragraph II-a, but indicated that he shared the fear that to enunciate it would be to evoke criticism from both public power opponents and advocates. In the end, Warne recommended that the Secretary abandon the idea of enunciating a statement of power policy because he felt that the work that had been done on it so far demonstrated that it was a subject that did "not lend itself to generalization."[26]

Despite the uneasiness of Straus and Warne, Ickes did sign and disseminate to all staffs of the Interior Department the memorandum, effective January 3, 1946. It contained three parts: (1) a list of the five "primary objectives of the acts of Congress" that pertained to Federal power policy with the titles of the laws that documented each aim printed below it, (2) a number of principles "designated to implement the Congressional policy" and (3) a summary explanation of the Congressional Acts that provided the basis for the power policy.[27]

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[24] Ibid.

[25] Memorandum, Straus to Ickes, December 21, 1945, ibid.

[26] Memorandum, Warne to Ickes, December 20, 1945, ibid.

The five objectives and acts from which they were derived were stated as follows:

1. Federal dams shall where feasible include facilities for generating electrical energy.

   Reclamation Act of April 16, 1906; Act of July 25, 1912; the Tennessee Valley Authority Act of 1933; the Flood Control Acts of 1938, 1944 and 1945.

2. Preference in power sales shall be given to public agencies and coöperatives.

   Reclamation Act of April 16, 1906; the "Raker Act" of December 19, 1913; Federal Water Power Act of 1920; Boulder Canyon Act of 1928; Tennessee Valley Authority Act of 1933; Rural Electrification Act of 1936; Bonneville Act of 1937; Fort Peck Act of 1938; Reclamation Project Act of 1939; Flood Control Act of 1944.

3. Power disposal shall be for the particular benefit of domestic and rural consumers.

   Tennessee Valley Authority Act of 1933; Rural Electrification Act of 1936; Bonneville Act of 1937; Fort Peck Act of 1938.

4. Power shall be sold at the lowest possible rates consistent with sound business principles.

   Tennessee Valley Authority Act of 1933; Bonneville Act of 1937; Fort Peck Act of 1938; Flood Control Act of 1944.

5. Power disposal shall be such as to encourage widespread use and to prevent monopolization.

   Tennessee Valley Authority Act of 1933; Rural Electrification Act of 1936; Bonneville

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[27] Memorandum on Power Policy to All Staffs of the Department of the Interior, January 3, 1946, *ibid*.

Act of 1937; Fort Peck Act of 1938; Flood Control Act of 1944.[28]

It was against this background that a new Secretary of the Interior--Oscar Chapman--in July 1950 asked Assistant Secretary William E. Warne, the same man who had opposed the promulgation of the Ickes statement, to chair a committee to examine the 1946 memo and "revise it as necessary or desirable in the light of the many developments since its issuance." Composed of the Commissioner of the Bureau of Reclamation; the Administrators of the Bonneville, Southwestern and Southeastern Power Administrations; the Director of the Division of Power; the Interior Department Solicitor and Warne, this group was instructed to complete its task no later than September 1, 1950.[29]

At the same time Chapman apparently decided that the need for providing some written guidelines for his agency heads in their negotiations with private power companies for wheeling contracts had become urgent. The Reclamation Bureau had recently been discussing proposals by the Pacific Gas and Electric Company which Chapman deemed unacceptable and the newly formed Southeastern Power Administration had received an offer from a group of private companies to buy Federally generated power at the bus bar. Furthermore, the Southwestern Power Administration was negotiating with two Oklahoma power companies concerning a wheeling contract. In these discussions, Administrator Wright was failing, in Chapman's opinion, to adequately protect Government power policy. On July 14 Chapman announced the signing of an agreement with the two Oklahoma companies, but he was not sure how this type of contract would work out, and he knew that pressure would be forthcoming from Congress for the Interior Department to execute more such contracts with private utilities in the Southwest.[30] Therefore, on July 15, the Secretary sent a memorandum concerning "power wheeling contract requirements" to the administrators of the three power agencies, the Acting Director of the Division of Power and the Commissioner of the Bureau of Reclamation. Stating that the principles set forth therein were "approved as the policy of this Department," Chapman directed his agency heads to ensure that any contracts they negotiated conform to these principles. In this memorandum the Secretary repeated the major basic objectives of the public power marketing program substantially as they were set forth in the Ickes statement. To them he added some points that had been listed as principles intended to carry out basic objectives in the earlier statement: (1) "integrating Government-owned power facilites," (2) "interconnecting such facilities with other power systems," and (3) "constructing such transmission facilities as may be necessary, desirable, or appropriate to the foregoing purposes."[31]

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[28] Ibid.

[29] Memorandum, Secretary of the Interior to Commissioner, Bureau of Reclamation; Administrator, Bonneville Power Administration; Administrator, Southwestern Power Administration; Administrator, Southeastern Power Administration; Assistant Secretary William E. Warne; Director, Division of Power; Solicitor, July 10, 1950, File 110, Administration, Authorization and Policies, R.G. 115, W.N.R.C.

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[30] See Chapter V, above.

To accomplish these aims, according to this directive, transmission lines that connect Government projects with each other and with load centers generally should "be owned and controlled by the Government." The memorandum continued,

> Any exceptions to this rule must clearly leave the Government with flexibility and economy of operation and with availability of capacity equal to that which would obtain from the Government's own facilities. In instances where no adequate facilities exist to serve customers, new facilities should be constructed, owned, and controlled by the Government.[32]

Chapman then went on to list seven standards that had to be followed when it became necessary to use existing non-Federally owned transmission facilities. Included among these were the following: (1) the rights of preference customers must be completely protected; (2) the terms of the agreement must not result in monopolization of the power at the bus bar; (3) payment for the use of such lines shall be reasonable but shall never be more than the "cost to the Government of its own required transmission capacity" and (4) the contract in each case will include provision for cancellation privileges.[33]

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[31] Memorandum, Secretary of the Interior to Administrator, Bonneville Power Administration; Administrator, Southeastern Power Administration; Administrator, Southwestern Power Administration; Acting Director, Division of Power; Commissioner, Bureau of Reclamation, July 14, 1950, File 1-310, Administrative General, Power Development, Part 7, R.G. 48, N.A.

[32] Ibid.

The Department officials who were asked to give their opinions concerning revision of the 1946 Ickes memorandum thus had Chapman's July 14 directive on wheeling contract requirements on their desks while they were considering their replies. Of the seven consulted, only the Bureau of Reclamation felt that any substantial change should be made in the Ickes statement.[34] Straus submitted a draft of a proposed revision on September 1. The changes he suggested pertained almost entirely to the principles to be used as a guide in carrying out the five objectives. As he had been five years earlier, the Commissioner was dissatisfied with the strong language of Paragraph II-a, which implied an active, agressive Government role in helping establish public agencies and cooperatives. His proposed revision read:

> Informative assistance may be given to public agencies and cooperatives which are planning for the distribution of power in each project area.[35]

The remainder of the Bureau's suggested changes reflected the then-current controversy over whether the

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[33] Ibid.

[34] Memorandum, Warne to Chapman, October 4, 1950, File 1-310, Administrative General, Power Development, Administrative, Part 7, R.G. 48, N.A.

[35] Memorandum on Power Policy to All Staffs of the Interior Department, September 1, 1950, Bureau of Reclamation, W.O. Draft, ibid.

Government should build steam plants and transmission lines and the increasing Congressional pressure being placed on Interior to try to negotiate wheeling contracts with private companies before spending taxpayers' money for such construction. The Reclamation draft would have changed the section of the 1946 memorandum concerning hydro facilities on Government projects from

> The project shall have its own steam standby and reserve facilities where necessary to independent operation on an economical and efficient basis. . . .

to the following:

> Unless satisfactory and economical supplemental fuel electric power supply can be obtained by coordination with other electric systems in the area, the project, where necessary for economical and efficient operation, shall have its own steam standby and reserve facilities.

In addition, the Bureau draft spelled out in detail the circumstances and standards that it felt would have to be followed in making contracts with private utilities in order to safeguard the five basic Federal policy objectives.[36]

On October 4, Assistant Secretary Warne reported to his superior, Secretary Chapman, the substance of the replies he had received from the agencies queried about possible changes to be made in the 1946 memorandum. No other agency besides Reclamation had submitted a proposed revision; Bonneville Power Administration, Southeastern

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[36] *Ibid*., Memorandum on Power Policy to All Staffs of the Department of the Interior, January 3, 1946, *ibid*., Part 5.

Power Administration and the Division of Water and Power believed no modification should be made at that time; Southwestern Power Administration sent a memorandum that merely commented generally on Department policy and the solicitor's office suggested two minor alterations. Warne added his opposition to revision. Having changed his attitude from what it had been in 1945 when he wanted no enunciation of power policy, the Assistant Secretary now accepted the status quo. He wrote Chapman that the Ickes statement, along with a directive from the Secretary of July 14, 1950 regarding requirements for wheeling contracts, constituted "sufficient guide posts for the carrying out of your responsibilities in the marketing of power generated at federally constructed dams."[37]

In view of this opposition or disinterest shown by a majority of the departmental agency heads, the memorandum was not revised even though public power proponents outside the Government began to press the Department to publicly state its power policy. They felt such action was necessary because private power spokesmen more and more often were describing Federal power policy as socialistic and as aiming for the nationalization of the entire electric power industry. The managing director of the American Public Power Association, for example, asked Chapman to enunciate the Department's policy in order to meet such advertising slogans by the power companies. However, the Secretary replied that he doubted if such a statement even if made to the Congress, the press and the people would arouse much public interest.[38]

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[37] Memorandum, Warne to Chapman, October 4, 1950, ibid., Part 7.

There the situation remained. Throughout the Second Truman Administration, the Ickes Memorandum on Power Policy remained the "current policy" of the Interior Department.[39]

IV

The second effort by the Administration in 1950 to work out and clarify a Federal power policy was the establishment of the President's Water Resources Policy Commission on January 3. During the preceding summer several bills intended to amend the Reclamation Act, and thus change certain aspects of power policy, had been introduced in Congress. One of these proposals--H.R. 1770--would have added costs of various functions such as recreation, sediment control, protection of public health and improvement of public transportation to the category of non-reimbursable expenses on multiple-purpose projects so that they would no longer have to be repaid by the persons who gained irrigiation and power benefits from them.[40] The Budget Bureau opposed passage of the bill and proposed instead that it be allowed to work out a broad definition of the Administration's land and water resources policies. This suggestion later led to Budget's proposal that a Water Resources Policy Commission be formed.[41]

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[38] Letters, Carlton L. Nau to Chapman, July 19, 1950, Chapman to Nau, August 15, 1950, ibid.

[39] Letter, Kenneth Markwell, Acting Commissioner of Reclamation, to Kenneth G. Whitaker, Electric Power Board of Chattanooga, April 15, 1952, ibid., Part 15. On April 20, 1953, the new Secretary of the Interior in the Eisenhower Administration verified that the Ickes memorandum had been the basic Interior power policy statement since 1946; see letters, Secretary Douglas Mackay to Congressmen John P. Saylor, Chairman, Subcommittee on Territories, Committee on Interior and Insular Affairs and to Norris Poulson, Chairman, Subcommittee on Irrigation and Reclamation, Committee on Interior and Insular Affairs, April 20, 1953, ibid.

Both Warne and Secretary Krug were opposed to Budget's first plan. Following a meeting in June 1949 with a representative of the Budget Bureau to discuss the pending bills for amending the Reclamation Act, Warne conveyed his feelings to his chief:

> It is beyond hope that the Bureau of the Budget could, with its personnel and facilities, arrive at any general restatement of our land and water resources policies. I have seen the National Resources Planning Board go down to ruin through its failure and have witnessed the lack of effort so far of the reports of the Hoover Commission to even excite serious discussion. . . . I feel that the President has been seriously misled if he has been given to believe that there is in prospect presently a promising basic review of land and water resources development policies.

Warne advised Krug that he should either push ahead with his "current programs," which included H.R. 1770, or make certain that if such a study were undertaken, Interior would be "the leader rather than the collaborator."[42]

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[40] _Congressional Quarterly_, V (1[illegible]49), 767-68.

[41] Memorandum, Warne to Krug, June 20, 1949, Office Files of Secretary of the Interior Oscar Chapman, 1933-53, Bureau of Reclamation, 1946-49, R.G. 48, N.A.

On October 4 Budget Director Frank Pace, Jr. asked the Secretary's opinion concerning the possible establishment of a seven-man commission to study and "make recommendations to the President on major policy questions involved in the administration of Federal water resources programs."[43] Krug realized that he would have to cooperate, even though he opposed setting up such a body, so as not to lose the iniative in developing water resource policy. The Secretary feared that the Army Engineers and the Department of Agriculture, with whom Interior was then involved in a controversy over how to determine feasibility of projects, wanted to establish a committee sympathetic with their point of view. These suspicions deepened when Krug discovered that the Tennessee Valley Authority, the agency that usually teamed up with Interior in its budget requests, had not been consulted about the plans for the commission. The Secretary told George Gant, the General Manager of the Authority, that although he did not think they could oppose the establishment of the Commission, they could together oppose the choice of members who were prejudiced against their agencies.[44]

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[42] Ibid.

[43] Letter, Krug to Frank Pace, Jr., Director, Bureau of the Budget, October 27, 1949, File 8-1, Reclamation Bureau, Organization and Methods, General, 1947-53, Part 22, R.G. 48, N.A.

On the same day that Krug was voicing these misgivings, Warne and Straus communicated to the Secretary their opposition to the establishment of the commission. Warne thought the task should be carried out by the executive branch itself, and Straus felt that Krug's hands would be tied in "handling the Interior program while waiting for the views of this commission."[45]

Although he agreed with much of what his staff members said, Krug had made up his mind by October 13 that he would have to cooperate with Budget.[46] Therefore, the Secretary sent the Director a letter pledging to do all in his "power to assist the proposed commission." At the same time, he expressed his concern with the long overdue need for action and his fear that a commission would merely delay solving the pressing problems concerning water resources. Krug wrote:

> On June 13, 1949, in your letter to me concerning H.R. 1770 you recognized the need for remedial action and were confident that it would be possible to submit to the Congress in January 1950 legislative proposals which would cover some of the major questions of policy which remain unresolved. . . .
>
> I regret that, with the convening of the new

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[44] Telephone calls, Krug to George Gant, Gant to Krug, October 27, 1949, Conference File, Krug Papers, L.C.

[45] Memoranda, Straus to Krug, October 27, 1949, Warne to Krug, October 27, 1949, File 8-1, Reclamation Bureau, Organization and Methods, General, 1947-53, Part 22, R.G. 48, N.A.

[46] Telephone Call, Krug to Pace, October 13, 1949, Conference File, Krug Papers, L.C.

> session of the Congress just slightly more than two months away, we find ourselves confronted not with proposed solutions to our problems, but with a recommendation that a commission be established which will spend an additional year in reviewing and reporting on the situation.[47]

Because of what he believed to be this urgency, Krug further suggested that the commission be directed to give priority to certain major policy issues then being considered by both the President and Congress and to make individual reports to Truman on them at set intervals within six months of its establishment. In this way, the body's views would be available in time to be considered in connection with proposed legislation to Congress.[48]

On January 3, 1950, President Truman named a temporary Water Resources Policy Commission consisting of seven members. As chairman he appointed Morris L. Cooke, an engineer from Philadelphia and the New Dealer who had helped pioneer the Rural Electrification Administration.[49] In his letter to Cooke, Truman said

> It is essential in my judgment that a comprehensive study and review be made of all existing water resources legislation and policies and that recommendations be made in the full knowledge of national needs and objectives.

The President asked the body to make its final report to him no later than December 1, 1950.[50]

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[47] Letter, Krug to Pace, October 27, 1949, File 8-1, Reclamation Bureau, Organization and Methods, General, 1947-53, Part 22, R.G. 48, N.A.

[48] *Ibid*.

[49] See Chapter II, above.

The Executive Order (No. 10095) by which the Commission was established, directed the group

> . . . to give consideration in particular to (a) the extent and character of Federal Government participation in major water resources programs, (b) an appraisal of the priority of water resources programs from the standpoint of economic and social need, (c) criteria and standards for evaluating the feasibility of water resources projects, and (d) desirable legislation relating to the development, utilization, and conservation of water resources.[51]

The president asked the Commission to omit consideration of organizational issues since this topic had already been studied by the Commission on Organization of the Executive Branch of the Government and to confine itself to "questions of policy . . . together with related legislation."[52]

In addition to Cooke, members of the Commission were R. R. Renne, President, Montana State College, agricultural economist; Lewis W. Jones, President, University of Arkansas, economist; Gilbert White, President, Haverford College, geographer; Samuel B. Morris, General

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[50] "Letter to the Chairman of the President's Water Resources Policy Commission," January 3, 1950, Public Papers: Truman, 1950, 1.

[51] A Water Policy for the American People, The Report of the President's Water Resources Policy Commission, I, 307.

[52] "Letter to the Chairman of the President's Water Resources Policy Commission," January 3, 1950, Public Papers: Truman, 1950, 2; Press Release, January 3, 1950, President's Water Resources Policy Commission, Administrative, 1950-51, Administration Subject File, General, Press Releases, P.W.R.P.C. Records, T.L.

Manager, Department of Water and Power, Los Angeles, engineer; Paul S. Burgess, Dean, College of Agriculture, University of Arizona, biochemist and Leland Olds, New York, economist.[53]

Private power exponents were critical of the Commission from the beginning. Public Utilities Fortnightly suggested facetiously that the body had been created in order to provide a job for former Federal Power Commissioner Leland Olds, who had been rejected by the Senate for a third term in the closing days of the first session. This publication also expressed the opinion that it might be the Administration's intention to make the Commission a permanent body to "call the signals on water resources development activities of the Department of the Interior and the Army Engineers."[54] The Electrical World noted in its March 29 issue that having ignored private industry advice in its first round of solicitations, the Commission had finally asked for the opinions of Edison Electric Institute and the National Association of Electric Companies. It also commented that since the Commission had only until the following December to report, it was now "in the home stretch" although it had held only three meetings.[55]

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[53] Press Release, May 8, 1950, President's Water Resources Policy Commission, Administrative, 1950-51, Administrative Subject File, General, Press Releases, P. W.R.P.C. Records, T.L.

[54] Public Utilities Fortnightly, March 2, 1950, 299, February 2, 1950, 169.

In reality, the body had barely begun its work. In early April the Commission created twelve committees, made up of its own staff as well as employees loaned from Federal agencies, to study major topics. The twelve subject areas were river program analysis, evaluation of constructed projects, coordination of planning and project selection, standards for basic data, project reimbursement, water resources policies involving land use economies, power policy as related to water resources, recreation, domestic water navigation, national transportation policy, river basin analysis and water resources law.[56]

One committee was assigned the task of reviewing existing Federal power policy as "embodied in various acts of Congress and administrative determinations." It was directed to give particular attention to the following matters:

1. Integrating Federal hydro-electric power projects into systems in the region, including the building of transmission lines for marketing the power.
2. Economic and social principles for the Government to follow when developing such sites in connection

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[55] Electrical World, March 29, 1950, 32.

[56] President's Water Resources Policy Commission, Administration Subject File, General, Press Releases, Committees and Subcommittees folder, P.W.R.P.C. Records, T.L.; A Water Policy for the American People, The Report of the President's Water Resources Policy Commission, I, 309.

with multiple-purpose river basin development.

3. Government building of steam electric plants.
4. Advisability of recognizing in law the responsibility of the Federal Government to develop hydroelectric power as a primary objective of water resources projects.
5. Importance of developing hydro-electric power as a part of long-term energy needs.
6. Significance, economically, of low-cost power in a comprehensive river basin development program.
7. The role that Federal developments should play in national defense.
8. The sale of power at the lowest reasonable price, granting preference to public bodies and cooperatives.
9. Relationship of Federal hydro-electric power program to the reclamation program.
10. Economic and social principles to follow in making decisions regarding building of dams where agricultural interests are opposed because lands would be flooded.[57]

In addition to the chairman, Leon Jourolmon, Jr. and Leland Olds, Commissioner in Charge of Studies, this committee comprised representatives from each of the following agencies: Department of Commerce, Federal Power Commission, Department of the Interior, the Corps of Engineers, the Department of Agriculture and the Tennessee Valley Authority. Beginning with the fourth meeting a representative from the Bonneville Power Administration also attended.[58]

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[57] "Committee on Power Policy as Related to Water Resources, Outline of Work," President's Water Resources Policy Commission, Administrative, 1950-51, Administration Subject File, General, Press Releases, Committees and Subcommittees folder, P.W.R.P.C. Records, T.L.

Private power was not officially represented. R. R. Renne, a member of the Commission, wrote Chairman Cooke suggesting that a representative of private industry be placed on the Power Policy Committee in order to "prevent public criticism later on." If the power industry were to label this part of the report as biased, argued Renne, it could lead to "general rejection of our entire report by the public in some areas."[59] The Chairman apparently decided to take his chances with such an eventuality. When Purcell L. Smith, President of the National Assocation of Electric Companies, a lobby organization, invited the Commission to discuss Federal power policy with the group, Cooke refused. The chairman explained that it would be impractical due to the "short time available" before the

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[58] "Membership of the Committee on Power Policy," ibid.; A Water Policy for the American People, The Report of the President's Water Resources Policy Commission, I, 309.

[59] Letter, R. R. Renne to Morris L. Cooke, May 23, 1950, President's Water Resources Policy Commission, Administrative, 1950-51, Administration Subject File, General, Press Releases, Committees and Subcommittees folder, P.W.R.P.C. Records, T.L.

Water Resources Policy Commission would have to report and that it would establish a precedent that could lead the Commission "far afield."[60]

In early May the Commission members decided to hold conferences in various areas of the country that were vitally affected by the availability of water resources. Meetings were held in Sioux City, Iowa; Spokane, Washington; Berkeley, California; Denver, Colorado; Fayetteville, Arkansas; Springfield, Massachusetts; Columbus, Ohio and Atlanta, Georgia. They were attended by over 2,000 people 500 of whom expressed their opinions on water resources policy. The questions posed at these meetings included what should be the extent and character of Federal participation in water resources programs, what social and economic principles should guide decision making with regard to priority ranking of water resources projects, what standards should be followed in determining the feasibility of such plans and whether new water resources legislation should be passed or existing laws be amended.[61]

These regional conferences constituted one technique that the Commission employed in its efforts to tap a wide range of technical and non-technical public opinion. The group also consulted the faculties of various colleges and universities, state and Federal government departments, authorities in the physical and social sciences, engineers, public and private power associations, business and trade associations, farm groups, members of Congress and governors and attorneys general in each of the states. In addition, the Commission sent a set of eighteen questions pertaining to water resource problems to the Engineers Joint Council and to the presidents of eighty universities and colleges to be referred to persons on the faculties most qualified to answer the queries. Six hundred replies were received.[62]

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[60] New York Times, June 22, 1950, 4; Public Utilities Fortnightly, July 20, 1950, 101.

[61] Press Release, May 8, 1950, Executive Office of the President, Water Resources Policy Commission, Administrative, 1950-51, Administration Subject File, General, Press Releases, P.W.R.P.C. Records, T.L.; A Water Policy for the American People, The Report of the President's Water Resources Policy Commission, I, 308; Public Utilities Fortnightly, July 20, 1950, 101.

In the meantime, the general counsel for the Commission, Bernard A. Foster, Jr., aided by two young lawyers, Sherman Poland and Harry Van Cleve, all of whom were on leave from the Federal Power Commission, began work on a review of Federal water power policy for the committee working in that area.[63] Each agency was asked to report to the committee on its present power policy. In his statement, the Interior Department representative, F. H. Craddock, included three major concepts upon which he said the Federal power program was based:

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[62] A Water Policy for the American People, The Report of the President's Water Resources Policy Commission, I, 308.

[63] Memorandum, Sherman S. Poland to Bernard Foster, Jr., May 23, 1950, President's Water Resources Policy Commission, Administrative, 1950-51, General Subject File, Policy folder, P.W.R.P.C. Records, T.L.

> A. The resources of our rivers belong to all of the people of the United States.
> B. It is the responsibility of the Federal Government to help develop the resources of our rivers to the optimum degree in order that all of the purposes of such development may be achieved. Another expression of this concept is the basin-wide approach to planning and development of multi-purpose projects for river control.
> C. The electric power generated at Federal projects should be marketed at cost for the benefit of the people.[64]

Craddock went on to state the five basic principles very much as they had been enunciated in the 1946 Ickes memorandum. His principles intended to guide staff members in carrying out these policies differed from the Ickes statement in that they included material on "wheeling arrangements." One of these rules stated that the Government should try to make such agreements beyond major load centers when they "are in the public interest, . . . economical, and when they will result in Federal power being brought to customers at an earlier date or at more remote points." Another provision spelled out conditions under which contracts with private companies could be made:

> No contract shall be made that operates to foreclose public agencies and cooperatives from obtaining power from Government projects. Contracts with such organizations shall recognize their preferential character and assure them full opportunity to secure the benefits of Federal power. Contracts with privately-owned

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[64] Letter, F. H. Craddock to Leon Jourolmon, Jr., May 9, 1950, President's Water Resources Policy Commission, Commission Deliberation, 1950-51, Committee on Power Policy as Related to Water Resources Statements on Specific Items of Policy by Committee Members folder, P.W.R.P.C. Records, T.L.

> companies shall contain reasonable provisions for their cancellation or modification by the Government if necessary to insure preference to public agencies and cooperatives.[65]

When the Committee met to discuss the statements of tentative power views from the various agencies that reported--Commerce, Federal Power Commission, Corps of Engineers, Interior and Agriculture--the chairman commented on the similarity of their contents and asked if this could be attributed to the 1946 Interior Department memorandum. Craddock replied that there had been some "modification of policy" since then and referred especially to the question of wheeling arrangements.[66]

At the fifth meeting of the Committee, the chairman noted that there was no uniform Federal power policy. Members of the group generally agreed. An example of this lack was presented in a memorandum to the Committee from the Acting Director of the Branch of Power Utilization, Department of Interior, who wanted "emphatically" to call to the attention of the Commission the widely differing concepts regarding cost allocation determination and repayment requirements under which the Reclamation Bureau and the Corps of Engineers operated. The law did not call for reimbursability of investments in Corps projects but did require it for all construction costs allocated to certain purposes in Bureau projects. One result was opposition by local interests to Federal development of the Kings River. Since plans called for Bureau construction, direct beneficiaries would have to pay more than if the Engineers had been designated to build the project.[67]

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[65] Ibid.

[66] Minutes, Third Meeting, May 17, 1950, ibid.

Another example of conflicting power policies between and among Government agencies charged with the task of effecting them was brought to the attention of the Commission by both the Federal Power Commission and the Southwest Field Committee of the Interior Department. The problem concerned which rates charged by the Government were subject to the approval of the Federal Power Commission. This regulatory body had to confirm and approve rate schedules for power produced at Corps of Engineers controlled projects under the Flood Control Act of 1944, at the Bonneville Project by authority of the Bonneville Act and at the Fort Peck project under the Fort Peck Act. However, the Federal Power Commission had no responsibility for approving rates in connection with the sale of power produced at the Boulder Canyon project, the Tennessee Valley Authority projects or the many Bureau of Reclamation projects. The result could mean confusion, as Chairman Wallgren of the Power Commission pointed out in a letter to Cooke:

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[67] Memorandum, Acting Director, Branch of Power Utilization, to Director, Branch of Project Planning, May 12, 1950, File 122, President's Water Resources Policy Commission, R.G. 115, W.N.R.C.

> . . . the Bonneville Power Administrator sells the energy generated at the Bonneville and the Grand Coulee projects. The schedules of rates and charges for the sale of energy generated at Bonneville are subject to confirmation and approval of this Commission, whereas we have no statutory authority as to the rates for the sale of energy generated at Grand Coulee, a Reclamation project. The energy of the two projects, however, is comingled and sold by the Bonneville Administration without distinction as to source.[68]

Achieving its aim of writing a concise statement of power policy became more and more difficult for the Committee, not only because of such contradictions in current procedures but also because of conflicting views held by the various interested agencies. After the Commission had sifted through all the recommendations and analyzed the Committee's findings, it prepared a general report in the late summer.[69]

The study that was made public by the Commission on December 17, 1950 listed three basic objectives of public power and water resources policy. These aims and basic considerations listed in the report were (1) the United States had a mixed system of public and private power, (2) the Federal government had had to play an increasing role in developing and marketing power because of the "characteristics of modern power supply systems and of river basin programs" in order to protect the people in their right to satisfy their own power needs in a public or cooperative manner and (3) the growing electrical energy requirements of the country could best be met if Federal, local, public, cooperative and private systems all cooperated with each other. To achieve these objectives, regional power resources should be looked at as a whole whether publicly or privately owned. Furthermore, the final goal of all aspects of power ownership should be to provide sufficient power supplies at the lowest possible cost.[70]

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[68] Letter, Monrad C. Wallgren to Cooke, September 27, 1950, File 1-310, Administrative General, Power Development, Part 8, R.G. 48, N.A.; see also The Arkansas-White River Basin Report for the President's Water Resources Policy Commission, prepared by the Southwest Field Committee, Department of Interior, August 1950, File 122, President's Water Resources Policy Commission, R.G. 115, W.N.R.C.

[69] A Water Policy for the American People, The Report of the President's Water Resources Policy Commission, I, 309.

At this time, only Volume I of what was to be a three volume report was published. Volume II, containing details of the ten river basins studies, and Volume III, made up of the existing law that applied to water resources policy, would be submitted to the President later. Included in the final recommendations of Volume I was a suggestion that existing law be revised in order to eliminate "conflicts, duplications and gaps" and that legislation be passed that would implement the recommendations of the Commission. The study group promised to present such proposed legislation at a later date.[71]

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[70] Ibid., 245; New York Times, December 18, 1950, 1.

[71] A Water Policy for the American People, The Report of the President's Water Resources Policy Commission, I, 303.

Private power interests and sympathizers generally reacted with outrage at this result of the Commission's study. They charged that its authors envisioned increasing Federal encroachment leading to a full take-over of the electric power industry and that they had not heeded the desires of the people in the river basin areas for local control of their water resources. James W. Parker, President of Detroit Edison Company and Chairman of Public Information for the privately owned electric companies, called the report "one more expression of hostile attitude toward independent enterprise" and described the findings of the Commission as "an extension of 'Government from Washington' despite overwhelming testimony urging water development and supervision by local administrators."[72] Public Utilities Fortnightly commented that the report seemed to "fulfill predictions that it would urge greater Federal expansion into the power business and little comfort for the private companies."[73] The Electrical World warned that if the recommendations of the Commission were adopted, "nationalization of the power industry" would be furthered, claimed that nowhere in the report was there a suggestion that private power should build or operate a hydro-electric plant and charged that the recommendations of the Engineers Joint Council, Edison Electric Institute and the National Association of Electric Companies had been totally ignored.[74]

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[72] New York Times, December 18, 1950, 25.

[73] Public Utilities Fortnightly, January 4, 1951, 37.

Another criticism by the Electrical World that was common among private power exponents, concerned the recommendations for administrative organization of Federal water resource activities. The journal began an article with the misleading statement, "More TVA-type river basin developments are the major recommendation of President Truman's Water Resources Policy Commission." It went on to say that although the Commission had declared such organizational problems as "valley authority vs. inter-agency groups or other alternatives" to be outside its assigned field of study, it had praised the Tennessee Valley Authority for its accomplishments in developing the water resources in its area.[75] In fact, although the body did laud the Authority for its achievements, it did not actually recommend identical machinery for other river basins. Rather, it suggested the authority as an alternative to a general reorganization plan as recommended by the Hoover Commission Task Force or, failing that, a system of Congressionally approved river basin commissions based on the inter-agency approach.[76]

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[74] Electrical World, December 18, 1950, 71.

[75] Ibid.

[76] A Water Policy for the American People, The Report of the President's Water Resources Policy Commission, I, 49; see also Chapter III, above.

The President had instructed Chairman Cooke at the time the Commission was established to steer clear of this subject, as the Electrical World had correctly stated. However, Truman did ask the group to draw up "desirable legislation or changes in existing legislation relating to the development, utilization, and conservation of water resources."[77] Therefore, on February 12, 1951, the day after Volume III, "Water Resources Law," went to the White House, Cooke sent to the President a summary of a "Draft of a Water Resources Act of 1951." The highlights of this proposed legislation included:

> 1. A clear statement of the purposes and objectives which must guide those responsible for Federal water resources programs. . . .
> 2. Establishment of not more than 15 River Basin Commissions to coordinate activities of existing Federal agencies.
> 3. Real participation of the region in planning its water resources programs through two representatives on each River Basin Commission. . . .
> 4. Establishment of a Federal Board of Review to coordinate the work of the River Basin Commissions. . . .
> 5. Provision of orderly procedures for preparation and submission of 2-year resources programs. . . .
> 6. Establishment of standard principles governing reimbursement of the Federal Government for benefits from water resources undertakings.
> 7. Provision for uniform accounting for all river basin programs. . . .[78]

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[77] Letter, Truman to Cooke, January 3, 1950, President's Water Resources Policy Commission, Administrative, 1950-51, Administration Subject File, General, Establishment of Commission folder, P.W.R.P.C. Records, T.L.

[78] Memorandum, Cooke to Truman, February 12, 1951, Proposed Water Resources Act of 1951, President's Water Resources Policy Commission, Commission Report and Recommendations, 1950-51, Recommendations of Commission folder, Final Report of Commission, P.W.R.P.C. Records, T.L.; see

However, the President apparently had not wanted to receive any legislative proposals from the Commission because Volume I of its report had indicated that any such suggestions would include measures for organizational solutions, despite Truman's instructions to the contrary. At the time that Cooke personally had presented the basic findings of the study group on December 11, 1950 the President had outlined to the Chairman his plans for a further study which he said would complement the Commission's report.[79]

Now that Cooke had made organizational legislative proposals explicit, Truman appeared especially anxious to terminate the work of the Commission. The President did grant an appointment to Cooke, who had been trying to see him for some time, on the day after he received the summary of legislative suggestions and told the Chairman to come back when he had completed the draft. However, on February 26, the day after it released Volume II, entitled "Ten Rivers in America's Future," the Commission told the press that it had finished its job and gone out of business. Furthermore, Truman in announcing on March 14 that

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also Press Release, President's Water Resources Policy Commission, February 11, 1951, Administrative, 1950-51, Administration Subject File, General, Press Releases, ibid.

[79] Letter, Cooke to Members of the President's Water Resources Policy Commission, December 11, 1950, President's Water Resources Policy Commission, Administrative, 1950-51, Meetings with President and White House Staff folder, P.W.R.P.C. Records, T.L.

the body had completed its work with the publication of Volume II said nothing about either his original instructions to the Commission to suggest possible new or changes in existing legislation or the "Draft of a Water Resources Act of 1951" that Cooke had submitted to him on February 12.[80]

Instead, the President said he planned

> . . . after careful review of the report and recommendations, to take such administrative actions and to submit to the Congress such legislative recommendations as seem appropriate from time to time.

Truman further informed his department and agency heads that he was putting the Director of the Bureau of the Budget in charge of the staff work required in this undertaking.[81]

Budget Bureau Director Lawton suggested that Truman send the report to the departments and agencies asking for their recommendations for changes in legislation and drafting of new laws. He added that the departments and agencies involved appeared to be generally agreed that this inter-agency approach was the wisest one to follow. Secretary of the Interior Chapman wrote Truman that he was ready "to act with dispatch in connection with any appropriate consideration of the report."[82]

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[80] Press Releases, February 25, 1951 and February 26, 1951, President's Water Resources Policy Commission, Administrative, 1950-51, Administration Subject File, General, Press Releases, P.W.R.P.C. Records, T.L.; "Letter to Department and Agency Heads on the Report of the Water Resources Policy Commission," March 14, 1951, Public Papers: Truman, 1951, 185.

[81] "Letter to Department and Agency Heads on the Report of the Water Resources Policy Commission," March 14, 1951, Public Papers: Truman, 1951, 185; Truman to F. J. Lawton, March 14, 1951, O.F. 2393A, Truman Papers, T.L.; letter, Vernon D. Northrop to Warne, May 29, 1951, File 1-318, Administrative General, River Valley Authorities, R.G. 48, N.A.

However, now that the work of the Commission over the preceding year had dramatically exposed the political difficulties involved in any attempt to establish a broad, national power policy, the Administration seemed to lose all desire for speed in bringing the results of the study to fruition. The Bureau of the Budget, in pursuance of its directive from the President, established the Inter-Agency Water Policy Review Committee and began a long, detailed study that would take as long to complete as had the original task itself. Along with reviews being carried out in each agency and department involved, the Budget Director asked the Natural Resources-Public Works Branch to

> . . . solicit comments, recommendations and expressions of opinion from various Interstate River Basin Commissions, Associations of State and Municipal governments, Reclamation groups, professional associations and other responsible groups and organizations who would be in a position to provide such comments.[83]

The Bureau of the Budget then established a subcommittee as part of the inter-agency review committee to review the Commission's recommendations regarding power.

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[82] Letter, Chapman to Truman, March 27, 1951, O.F. 2393A, Truman Papers, T.L.; see also memorandum, Lawton to Truman, April 4, 1951, ibid.

[83] Memorandum, M. E. Scheidt to Elmer B. Staats, February 12, 1952, Division of Fiscal Analysis, 1939-52, Unit 943, Bureau of the Budget, R.G. 51, N.A.

In this group a split developed; while agency representatives could agree unanimously on four of the eight Commission recommendations intended to carry out its three basic objectives, a rift occurred over the wording of the remaining four. Interior and Agriculture subcommittee members supported the Commission's suggestions in each case; whereas, the Federal Power Commission and the Corps of Engineers said they could not support these items and offered revisions. The Bureau of the Budget, for the most part, sided with Interior and Agriculture.[84]

E. C. Weitzell, the Agriculture Department representative, reported to Rural Electrification Administration officials that he and Ed Eardley, who spoke for Interior, had faced "strong opposition" from the Power Commission and the Corps of Engineers because the revisions they wanted in the recommendations would "for all practical purposes destroy the progress that has been made in Federal power policy during the last twenty years." Weitzell charged that the proposals by these two agencies aimed to grant "commercial enterprise indefinite and unlimited access to major power sites, leaving the Federal government in a position of doing only that which commercial enterprise did not want to do," that they favored the elimination of the preference policy and the authority of the Federal government to build transmission lines and that they opposed "continuation of the present policy of marketing Federal power at the lowest possible cost."[85]

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[84] Memoranda, E. C. Weitzell to Claude R. Wickard, William C. Wise and Riggs Sheppard, September 13, 1951, Subcommittee on Power Policy to Inter-Agency Water Policy Review Committee, August 30, 1951, Office Files of William C. Wise, Deputy Administrator, Rural Electrification Administration, R.G. 221, N.A.

While on the surface the revisions suggested by the Federal Power Commission and the Corps of Engineers did not appear as drastic as Weitzell described them, a careful reading revealed definite leanings toward the private power stand in three of the four recommendations they wanted changed. For example, although the two agencies substantially agreed with the Commission's Recommendation 1 that "full development of the undeveloped water power resources of the country's streams . . . should be considered as a major responsibility of the Federal Government," they wanted to add a section providing that "local non-Federal public and private agencies . . . be permitted to carry a major share of the responsibility of constructing the power aspects of projects under Federal Power Commission license."[86]

One of the other alterations that the Corps of Engineers and the Federal Power Commission suggested concerned Commission Recommendation 7. The Commission advised that "responsible Federal agencies" concerned with the "utilization of the water resources" of a river basin or region cooperate "with public and cooperative systems in furthering their desire to develop water-power resources in connection with the operation of their own systems." However, it added that all generating capacity should be run in a way so as to achieve "the best possible regional integration" and in accord with the preference principle as provided in the Federal Power Act. As a substitute, the two dissenting agencies wanted to add "private agencies" to the non-Federal public bodies that the Federal government should cooperate with and to delete the reference to the preference principle.[87]

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[85] Memorandum, Weitzell to Wickard, Wise and Sheppard, September 13, 1951, ibid.

[86] Memorandum, Subcommittee on Power Policy to Inter-Agency Water Policy Review Committee, August 30, 1951, ibid.

In its Recommendation 8, the Commission advocated Congressional repeal of all legislation that required the Federal Power Commission to approve rates for Federally generated power and instead require the Power Commission to "submit to the President and Congress annually a detailed report covering all Federal power activities" so that they could judge whether or not Federal marketing operations were being conducted "in accord with the Congressional intent." The Corps of Engineers and the Federal Power Commission, however, recommended an alternative that provided for such rates to be "subject to the examination, approval, and revision of the Federal Power Commission," and if rates or revisions in rates were not proposed, the Power Commission would "have power to prescribe rates."[88]

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[87] Ibid.

While this inter-agency review committee was painstakingly going about its task, Cooke was still trying to persuade the President to honor the desire of the President's Water Resources Policy Commission to release its legislative recommendations.[89] However, the President refused to allow this portion of the report to be published, explaining to the chairman that the organizational issue was so controversial that it might jeopardize chances for acceptance of the Commission's policy recommendations.[90]

However, increasing criticism of the Commission by such organizations as the United States Chamber of Commerce, Engineers Joint Council and the National Reclamation Association (which Cooke blamed on a lack of knowledge of the group's recommendations), along with the desire of the Administration to retain the Commission's support on proposed legislation, influenced the President to finally allow the members to release Volume IV on their own cognizance. The date was February 18, 1952.[91]

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[88] Ibid.

[89] This episode has been discussed earlier with regard to the river basin organizational machinery phase of the public versus private power fight. See Chapter III, above.

[90] Letters, Truman to Cooke, August 1, 1951, Cooke to Truman, August 1, 1951, Cooke to Truman, October 24, 1951, O.F. 2393A, Truman Papers, T.L.

In May 1952, the Inter-Agency Review Committee, established by the Budget Bureau at the request of the President, drafted a bill which it sent to the interested departments. This proposal differed in several respects from the Water Resources Policy Commission report and suggested legislation. First, because of the differences of opinion among agencies represented on the subcommittee on power, the Inter-Agency draft contained no general power policy statement, while the Water Resources Policy Commission report contained a full chapter relating to the subject and made several policy recommendations.[92] Second, regarding organization, this draft provided for river basin commissions, as did the Cooke proposal, but it included a provision for more state representation. Third, a large portion of this bill was devoted to "reimbursement policy and other substantive aspects of a water resources policy," while the Cooke plan dealt only "briefly and genally" with these matters. For example, under the Inter-Agency plan, the Department of Interior would no longer be able to use power revenues from hydro-electric projects to support the portion of the costs of the projects' irrigation facilities that the recipient farmers could not afford to pay. Rather, these revenues would now be returned to the Treasury.[93]

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[91] Letter, Cooke to Truman, October 24, 1951, ibid.; Public Utilities Fortnightly, November 22, 1951, 723; Press Release, February 18, 1952, President's Water Resources Policy Commission, Commission Report and Recommendations, 1950-51, Recommendations of Commission folder, Final Report of Commission, P.W.R.P.C. Records, T.L.

[92] Memorandum, Lawton to Truman, May 21, 1952, O.F. 2393A, Truman Papers, T.L.

This proposed legislation, however, still had not been introduced on January 19, 1953 when President Truman sent Congress a special message on the nation's land and water resources as he was leaving office. Not until that day--two years after having first received it--did he formally transmit to Congress the report of the Water Resources Policy Commission. Truman's explanation that this report had "been under careful and detailed study by the executive branch agencies since then," was hardly adequate to account for such a lengthy delay.[94]

V

In January 1951, about a month after the Water Resources Policy Commission presented him the major portion of its report as contained in Volume I, Truman appointed another study group named the President's Materials Policy Commission. Its purpose, he said, was to review the long-range prospects, "as distinct from . . . immediate defense needs," for supply and demand of the nation's resources.

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[93] Ibid. See Chapter III above, for a more detailed discussion of the differences regarding organizational aspects between the two plans.

[94] "Special Message to the Congress on the Nation's Land and Water Resources," January 19, 1953, Public Papers: Truman, 1952-53, 1214, 1208.

The idea was to plan for the future so that the country would not be caught with a shortage of materials that could threaten national security or throttle economic expansion.[95]

Appointed to chair this commission was William S. Paley, President of the Columbia Broadcasting System. Other members were George Rufus Brown, business executive and engineer of Houston, Texas; Eric Hodgins, author and editor from Florida; Arthur H. Bunker, President of Climax Molybdenum Company of New York and Edward S. Mason, Dean of the Graduate School of Public Administration, Harvard University. The executive staff included Phil Coombs as Director and William C. Ackerman as Executive Secretary.[96]

In a letter to Paley, Truman directed that the task of the Commission be

> . . . to make an objective inquiry into all major aspects of the problem of assuring an adequate supply of production materials for our long-range needs and

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[95] "Letter to William S. Paley on Creation of the President's Materials Policy Commission," January 22, 1951, Public Papers: Truman, 1951, 118. A study of this commission as a means of analyzing the purposes of ad hoc Presidential Commissions generally has been done by a student of political science; see William Roy Hamilton, "The President's Materials Policy Commission: A History and Analytical Inquiry into Policy Formation by a Presidential Commission," unpublished Ph.D. dissertation, University of Maryland, 1962. Hamilton concludes that these commissions can never be merely fact finding or completely objective and that they must be viewed as political instruments.

[96] Memorandum, Secretary of Interior to Heads of Bureaus and Offices, March 8, 1951, Reading File, Chapman Papers, T.L.; The President's Materials Policy Commission, Resources for Freedom, I: Foundations for Growth and Security (Washington, D.C., 1952), ii.

> to make recommendations which will assist me in formulating a comprehensive policy on such materials.[97]

As in the case of the President's Water Resources Policy Commission, Government agencies cooperated with and lent staff to this Commission. The Secretary of Interior pledged his Department's assistance soon after the group was formed and directed all heads and officials under him to cooperate in providing information and personnel in the hope that Interior could help the Commission "bring forth some clarifying recommendations in this important field of resource conservation and development."[98] The Department later provided staff to aid the Commission in the preparation of reports, one of which concerned electric power. Assigned to help on this particular study was Samuel Moment, an employee of the Bonneville Power Administration.[99]

Also a Bonneville Power Administration official, but, unlike Moment, a regular staff member of the commission, Dr. Herschel F. Jones was the man who not only helped in the writing of the first drafts but also collected most of the data for the section on energy in the final report.

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[97] Public Papers: Truman, 1951, 118.

[98] Memorandum, Secretary of Interior to Heads of Bureaus and Offices, March 8, 1951, Reading File, Chapman Papers, T.L.

[99] Memorandum, Lyle E. Craine, Acting Director, Program Staff to Heads of Bureaus and Offices, August 15, 1951, File 122, Administration and Planning, Planning Board, President's Materials Policy Commission, R.G. 115, W.N.R.C.

The chief of staff of the electrical energy section was Robert Blum of the National Security Resources Board. Perhaps because of a desire to avoid the criticism that the Water Resources Policy Commission received, top executives from private power companies, including Edward W. Morehouse, Vice-President of General Public Utilities Corporation, were called in as consultants.[100]

A controversy over public versus private power soon developed among those charged with writing this portion of the report. The first two drafts showed the influence of public power sympathizers. The second draft read:

> The role of the Federal Government in the development of river basins for flood control, navigation and irrigation is supported today by the vast majority of the electorate, and its development of hydro power is no longer opposed as a general policy.

The draft recognized the current conflict over the Federal government's preference policy but found that it lay outside the purview of the Commission:

> There is real opposition from the privately-owned electric utilities to Federal power marketing policies, especially to the preference accorded public agencies in the disposition of Federal power. Although Federal marketing policies have secondary implications with respect to the progress of the Federal river development program, they are not of sufficient importance for the PMPC to explore them and recommend changes or modifications.

This version of the report did, however, touch on the thorny problem of administrative organization:

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[100] Electrical World, August 4, 1952, 8-9; Resources for Freedom, I: Foundations for Growth and Security, ii.

> River development programs including federal construction of hydro plants are . . . handicapped by inadequate administrative organization. This was recognized by the Hoover Commission which recommended consolidation of the Corps of Engineers, Bureau of Reclamation and other power agencies into a single department dealing with natural resources. It has also been recognized by the last two presidents who recommended organization of river development programs by regional administrative groups patterned after the T.V.A.[101]

After objections from the private power consultants and private power sympathizers working on the electrical energy section and probably because of Robert Blum's influence, the third draft sought a more balanced approach between the two views. Both sides were still unhappy, however, with the result. Dr. Arthur Maass, an Assistant Professor of Government at Harvard University, consultant to the Interior Department and a member of the Commission staff, was so upset by the anti-public power aspects of the third draft that he took this version to Leland Olds who prepared some comments that Maass endorsed and sent to the Commission's staff director.

Olds, who was now serving as the Department of Interior representative on the New England-New York Inter-Agency Committee, told the Commission that it must not ignore the "sensitive and explosive" situation which then prevailed regarding Federal power policy. He continued,

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[101] Drafts of Report, Electrical Energy Drafts I, Overall, Energy Draft III, Energy Resources Section, President's Materials Policy Commission Records, T.L.; hereafter cited as P.M.P.C. Records.

> The private utilities have undertaken an all-out campaign to destroy this policy, and the campaign is pursued along many seemingly disconnected routes.[102]

Olds's criticism of the draft included charges that it failed to recognize that private enterprise could not undertake comprehensive multi-purpose programs, failed to explain that the reason private power could not meet the power needs of the nation was its failure to lower rates, assumed that river basin program development would remain static rather than mentioning the possibility of a more efficient, Tennessee Valley-type organization and implied that the Federal government in the future would be building hydro plants to meet the needs of private utilities rather than its preference customers.[103]

By the fourth draft, some private power advocates who had criticized the earlier drafts were no longer objecting. These included Rolande C. Widgery, an executive of the Gulf Oil Corporation who was a member of the staff working on this section of the report, and Eugene Ayres of Gulf Research and Development Company. The Department of the Army also expressed approval.[104]

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[102] Letter, Arthur A. Maass to Phil Coombs, Staff Director, March 21, 1952, Executive Secretary, Comments on Drafts of Reports, Energy (Electric-Petroleum Oil #1) P.M.P.C. Records, T.L.

[103] Ibid.

[104] Letters, Rolande C. Widgery to William C. Ackerman, February 29, 1952, Eugene C. Ayres to Ackerman, February 28, 1952, C. H. Giroux, Special Assistant, Department of the Army to Ackerman, March 4, 1952, ibid.

The Federal Power Commission and E. W. Morehouse of the General Public Utilities Corporation were among those still dissatisfied. The Power Commission objected that the report stated that multiple-purpose river development projects must be carried out mainly by the Federal government without taking into consideration what non-Federal interests--public and private--had done in the way of such enterprise. It also opposed the inclusion of a statement that publicly-owned, and especially Federal systems, would provide nearly all future additional hydro-electric capacity, and it called attention to the fact that the commission was receiving over a hundred applications per year from private companies and other non-Federal interests to develop hydro sites.[105]

Morehouse complained that the draft implied a public demand for multi-purpose projects when they had been promoted by the Government and that it still showed a bias in favor of Government development of hydro-electric energy.[106]

In general, the private power sympathizers on the Commission won out in this battle. The final report presented to the President in June 1952 was received with approval by the private utility industry. The theme of cooperation between private power companies and the Federal government to meet the growing power needs of consumers, keep costs of electricity down and fulfill electric power requirements for national security was one private power could live with happily.[107] The Electrical World commented that this approach appeared "in sharp contrast to the recommendations of the President's Water Resources Policy Commission," which, it said, "leaned much more heavily on the all-out federal development of hydro-electric sites, and proposed an elaborate basin-by-basin organization."[108]

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[105] Letter, Francis L. Adams to Ackerman, February 4, 1952, ibid.

[106] Memorandum, E. W. Morehouse to President's Materials Policy Commission, March 3, 1952, ibid.

Gone in the final report were the sections which acknowledged the conflict between public and private power interests over public acceptance of Federal electric power development, marketing policy and river basin organization. Instead, a statement reporting that private industry produced 85 per cent of the electric energy supply and crediting it with most of the technical advances in the past seventy years headed a section titled "A Joint Public-Private Responsibility." While the study declared that Federal policies and programs appeared to be well-established in some areas, with the roles of Government and private enterprise "better defined and stabilized," it recognized that

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[107] "Letter in Response to Report of the President's Materials Policy Commission," June 23, 1952, Public Papers: Truman, 1952-53, 438-39; Resources for Freedom, I: Foundations for Growth and Security, 118.

[108] Electrical World, August 4, 1952, 8.

> . . . such important questions as Government's role in transmission of power and steam generation linked with hydro projects still remain to be clarified. Government and private industry probably will continue to share the field.

The report went on to accept as a "basic principle" that Government and private industry both had important roles to play in this field and that "there was a need for close coordination."[109]

Also absent in the final version was the statement indicating a nearly exclusive role for the Federal government in future hydro expansion. Instead, a line read:

> It is expected that private utilities can and will provide most of the expansion the nation will need, especially for thermal generation, but Government will have continuing large responsibilities of the sort presently handled.[110]

Whereas the Commission recognized that the Federal government would have to continue developing hydro-electric sites, especially where a multi-purpose approach seemed best, private industry should also be allowed to handle "part or all of the job" in certain instances, "particularly where a site can be developed best on a single-purpose basis, or where private industry and Government can collaborate in a multipurpose development."[111]

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[109] Resources for Freedom, I: Foundations for Growth and Security, 118.

[110] Ibid., 121.

[111] Ibid.

The Commission also recommended that plants and systems everywhere, whether publicly or privately owned, should be coordinated and that Government policies should be shaped so as to provide incentives to private utilities for capital expansion and development of new techniques.[112]

Expressing the hope that each legislator would study the document carefully, the President sent this report to the Congress on July 1. At the same time, he announced that he was asking several interested Government agencies to review the recommendations of the Commission and the National Security Resources Board to coordinate the conclusions as well as maintain an on-going study of the materials problem.[113]

In December, the evaluation of the President's Materials Policy Commission report by the National Security Resources Board, along with individual comments from the interested Government agencies, were presented to the President. The Board reported that the Paley group had not been "alarmist" in its statement that the United States economy no longer produced more raw materials than it consumed as it had for decades.[114] Among recommendations for solving this problem, the Board advised that multi-purpose projects on the nation's rivers be speeded up and that the President again ask Congress for funds for new construction in order to develop additional power supplies. It recommended that the work be carried out "under private and public sponsorship."[115]

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[112] _Ibid_.

[113] "Letter to the President of the Senate and to the Speaker of the House Transmitting Report of the President's Materials Policy Commission," July 1, 1952, _Public Papers: Truman, 1952-53_, 455-56.

[114] United States, National Security Resources Board, _The Objectives of United States Materials Resources Policy and Suggested Initial Steps in Their Accomplishment, a Report by the Chairman of the National Security Resources_

By this time, Dwight Eisenhower had already been elected President, and Harry Truman would be leaving the White House a month hence. Thus, as in the case of the President's Water Resources Policy Commission, no action was taken during Truman's Administration on the electric power recommendations of this Commission.

VI

Efforts to clarify and promulgate a broad national power policy during the Second Truman Administration, therefore, failed. To review the reasons is also to pose the question of how determined or serious were these attempts.

The fact that the Ickes 1946 memorandum was a workable statement helps explain why a power policy was not articulated during these years. Many in the interested agencies of the executive branch felt, as did Assistant

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Board Based on the Report of the President's Materials Policy Commission and Federal Agency Comments Thereon (Washington, D.C., 1952), 114.

[115] *Ibid.*, 149.

Secretary of the Interior William Warne, that this document had served public power purposes adequately in the past and could do so in the future, despite new developments. It was noted by the Power Policy Committee of the President's Water Resources Policy Commission that most concerned agencies and departments had been following the policy as laid down in this statement. However, it was also acknowledged at a meeting of this group that new problems had arisen since 1946; for example, the questions of Government built or leased steam and generating facilities, of wheeling arrangements and of whether a private utility company could be granted a license to develop a hydro site that was part of a Congressionally approved Federal comprehensive river basin development plan. Someone also observed in this committee that the various agencies and departments often operated under contradictory policies.

These conflicting policies and views, as well as jealousies, between and among agencies and departments constituted another, and a significant, factor in the Administration's failure to state a national power policy. Because of the Budget Bureau's central clearance function, the Federal Power Commission, the Corps of Engineers, the Rural Electrification Administration and the Interior Department often lined up against the Bureau. Jealous of Budget's powers over them, they had revealed their feelings in the 1947 discussions regarding revival of the National Power Policy Committee. In 1950, Interior opposed the Bureau's efforts to gain authority to work out a broad definition of the Government's land and water resources policies. On this issue, Interior and the Tennessee Valley Authority teamed up against the Department of Agriculture and the Corps of Engineers, whom they suspected of collusion with Budget.

Conflicting policies and views among Federal agencies had made it difficult for the President's Water Resources Policy Commission to write a concise Federal power policy statement. More important, when the Inter-Agency Review Committee was asked by the President to study the Commission's report and make recommendations for legislation, differences arose between Interior and Agriculture, who favored strong public power provisions, as against the Federal Power Commission and the Corps of Engineers, who were more sympathetic to the private power point of view. Because of this conflict, the Committee could not agree on a statement of general power policy and, in the end, had to omit it from its proposed legislation.

A third, and perhaps most important, explanation for the Truman Administration's failure to define and proclaim a broad national power policy is that the subject was politically too controversial. Many public power liberals in the Government simply did not want to touch this issue; for, to focus attention on it merely heightened its contentious aspects. The Rural Electrification Administration representative had voiced this view in 1947 when reactivation of the National Policy Committee was being considered. Both Commissioner Straus and Assistant Secretary Warne opposed the Interior Department's stating publicly an aggressive public power policy for the same reason when the Ickes memorandum had been drafted and when it was being reviewed in 1950. At least part of the rationale behind Secretary Krug's and Straus's resistance to the establishment of the Water Resources Policy Commission could be explained in the same way. The Secretary and the Commissioner felt that a piecemeal legislative approach would better serve the goals of public power liberalism. Truman probably agreed; for, he never pushed to a conclusion any of the efforts to enunciate a national power policy.

That the President used both the Water Resources Policy Commission and the Materials Policy Commission as political instruments seems highly likely. He could appear to be taking action by referring the controversial question of power policy to a panel of distinguished, "objective" men for study and recommendations. Once the report was made, as was the case with both of these bodies, he could continue to evade having to resolve the problem by appointing another group of men in the Government to "study the study." Secretary Krug in 1949 spoke of the urgency of framing legislative proposals to solve some of the power policy questions; yet, over two years went by before Truman sent the report of the President's Water Resources

Policy Commission to Congress, and then without its legislative proposals. Furthermore, he never did send Congress the Inter-Agency Review Committee's draft of a bill that was based on that study.

The Water Resources Policy Commission seemed biased from the beginning. The President chose a well-known public power proponent, Morris Cooke, as Chairman and included no representatives from the private power industry as members of the body or as advisers. On the Commission were the notoriously liberal public power exponent Leland Olds, three college presidents, one college dean and one man employed by a public utility. As though he intended to balance off this group and its findings politically, Truman chose for his Materials Policy Commission a business executive as chairman, three businessmen out of a total of five as members of the body and private power company officials as consultants. Public power devotees generally praised the Cooke report, but Truman would allow the Commission to publish its legislative recommendations only on its own cognizance and then an entire year after they were made. The President's Materials Policy Commission report, on the other hand, stessed the theme of cooperation between public and private power and was favorably received by the public power exponents. However, again, no action was taken on this report.

It would appear that rather than having to face squarely the problem of delineating a Federal power policy, Administration public power liberals for the most part were content to avoid a confrontation with private power in this respect and simply to maintain their position as best they could.

CHAPTER VIII

THE BALANCE SHEET

Liberals in 1949 generally agreed on the kind of electric power policies that would advance the broad aim of the greatest degree of welfare for each citizen that was compatible with the welfare of all. All of the resources of the major river basins of the country should be developed for the social and economic improvement of the lives of the people. To do this, effective organization of Federal water resource activities would be necessary, and key sites in such programs must be saved for Federal development. Monopolization by special interests of hydro-electric power, which was developed from a natural resource belonging to the people, must be prevented and the energy should be made available at low cost to as many citizens as possible. To do this, the power marketing policy as set down in various acts of Congress must be protected.

These objectives of public power liberalism could also be attained by continuing the activities of the Interior Department power agencies and establishing new ones where needed and by building steam plants, transmission lines and interconnections between Federal systems so as to efficiently serve cooperatives and public bodies.

Some liberals also believed that a broad, national power policy should be enunciated. This was the program for which public power liberals fought during the period 1949-52 and the one that private power and its sympathizers vigorously opposed.

The publicly stated aims of the Truman Administration during these years were identifiable with mid-century American liberalism. In his campaign for the Presidency in 1948, Truman vowed that if elected he would continue and extend the liberal power policies of the New Deal, and the platform of the Democratic Party promised Federal development of electric power, wide distribution over government-owned transmission lines and preference to public bodies. In the first year of his Second Administration, Truman sent word to the American Public Power Association that the Federal government must do its part in developing the power resources of the country which he called "vital to the happiness, the welfare and the security of our people."[1] Throughout his term of office, the President continued to espouse these principles in messages to Congress and in other public arenas.

In the last year of his Presidency, Truman summed up what he considered to be his Administration's power policy and the basic philosophy behind it:

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[1] Letter, Truman to Thomas H. Allen, President, American Public Power Association, May 3, 1949, President's Personal File 4821, Truman Papers, T.L.; see also New York Times, July 15, 1948, 8.

> I don't believe in Government for special privilege. Our resources should be used for the benefit of all the people, not just a few.
>
> . . . when electric power is produced with the people's money it ought to be used for the benefit of the people and not for the benefit of the private power companies.
>
> . . . that policy is entirely in accord with the American tradition.
>
> It provides for multiple purpose river-basin programs, including the development of hydroelectric power, and it assures widespread use of this power by preventing private companies from monopolizing it.
>
> . . . the Federal power policy actively encourages the growth of rural electric cooperatives so that rural families may have the advantage of electric service at reasonable rates.
>
> . . . .
>
> It assures communities that choose to provide their own electric service that they will not have to pay toll to private companies for their electric supplies of power developed from public waters by public investment in river basin programs. To this end our power policy gives a preference to rural electric cooperatives as well as to States, municipalities and other public bodies, and provides for transmission of the power by the most economic means to the points of wholesale delivery.[2]

A few of Truman's administrators also spoke out in favor of a liberal power position in each aspect of the struggle. Most notable was the man who held the post of Secretary of the Interior for three of these four years, Oscar L. Chapman. Known and respected as a liberal when he became Secretary because of his past performance as Assistant Secretary and Under-Secretary of the Interior and his insistence that the Democratic Party put itself forward as a party of liberalism during the 1948 campaign, Chapman indicated that he believed he was working for a progressive President. He told a reporter at the time of his appointment, "the Fair Deal is just an extension of the New Deal."[3] The Secretary maintained his liberal, New Deal image throughout the Truman Presidency. Wrote Marquis Childs in May 1951:

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[2] "Special Message to the National Rural Electric Cooperative Association," March 13, 1952, Public Papers: Truman, 1952-53, 200-01.

> As one of the very few survivors of the New Deal, Chapman is such a rarity that it would not be surprising one day to find him under glass in the Smithsonian Institution.[4]

Julius A. Krug, Secretary of Interior during the first year of the Second Truman Administration, also spoke in favor of certain parts of the liberal power program in speeches to various organizations and before Congressional committees. However, because of his performance as Director of the Office of War Utilities during World War II, Krug had a public image that was more middle of the road than Chapman's. Although he publicly supported a Columbia Valley Authority in 1946, he had refused to endorse the details of the Mitchell bill. However, once Truman decided to push for a similar set-up in 1949, Krug testified before Congressional committees in favor of the Administration bill and told the press that he strongly favored it. Furthermore, in a number of public speeches Krug outlined principles for a sound water resources policy that accorded with public power liberalism.[5]

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[3] New York Times, November 12, 1949, 6,

[4] Newspaper clipping, The Anderson Independent (Anderson, South Carolina), May 15, 1951, File 1-310, Administrative General, Power Development, General, Part 3, R.G. 48, N.A.; The Nation, March 5, 1959, 267-68.

Lower echelon men in the Administration who often stated liberal power aims publicly were Interior Department officials C. Girard Davidson and William E. Warne. Like Chapman, Davidson, who became Assistant Secretary of the Interior in May 1946, enjoyed a progressive reputation. In 1949 power liberals like Richard L. Neuberger of Oregon felt that the ideal staffing of the Interior Department, should Krug resign, would be Chapman as Secretary and Davidson as Under-Secretary. Davidson had earned his reputation as general counsel of the Bonneville Power Administration, as a prodder of Truman to attack the Eightieth Congress for its conservatism and as an idea man for the President's 1948 campaign speeches on water resources policy in the West.[6] Davidson continued to speak out for public power liberalism until his resignation in June 1951. He was particularly forceful during the effort to establish a Columbia Valley Administration.

William Warne, who joined the Interior Department in 1935, became an assistant Secretary in 1947 and resigned in November 1951, was also a vigorous proponent of liberal power aims. In numerous speeches to organizations across the country and before Congressional committees, Warne supported such policies throughout his service. Frequent themes included the need for more power, for basin-wide development by the Federal government, which would raise living levels of people in the area affected, and for Government built transmission lines and steam facilities where needed to carry out the preference provisions of the law.[7]

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[5] Waltrip, "Public Power During the Truman Administration," 27; speech, Julius Krug, Annual Meeting of the Public Ownership League of the State of Washington, October 12, 1946, and speech of May 12, 1949, Speech and Article File, Krug Papers, L.C.

[6] The Nation, January 29, 1949, 129-30.

A part of the program that made up the Fair Deal, this public power liberalism that President Truman and a few of his officials espoused was not radical liberalism but the "new liberalism" which embraced the current Keynesian methods. Truman often said that one of his "consuming goals" was to bring about "equal opportunity for all Americans."[8] To accomplish this, he would give everyone a larger slice of the economic pie within the present system. Truman described the objective of the Fair Deal as keeping the increase in income on an even basis "so that everybody can have a fair share."[9]

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[7] See, for example, speeches by Warne, February 24, 1950 in File 105.23 and June 17, 1950 in File 011, R.G. 115, W.N.R.C. See also speeches of October 25, 1950 and November 30, 1950 in File 1-310, Administrative General, Power Development, Administrative, Public Statements by Departmental Officials, Part 1, R.G. 48, N.A.

[8] Rossiter, The American Presidency, 126.

[9] "Remarks to the National Association of Radio Farm Directors," June 12, 1950, Public Papers: Truman, 1950, 478.

In the specific area of resource development and electric power, the aim was to raise the living standards of all the people. Organizational structures similar to but not necessarily the same as the Tennessee Valley Authority would improve the economic situation of an entire river basin area. Federal generation of power at projects that made up comprehensive river development, steam plants to help firm that power and transmission of low cost power to farmers, workers and housewives (with preference to public bodies and cooperatives) would help improve living conditions and general economic well-being. Truman described his personal as well as his party's goal in this area as an effort "to develop the vast natural power resources of this country for all the people, and make sure that the power produced by public funds is transmitted to the consumer without a private rakeoff."[10]

These aims and rhetoric fitted in with traditional American liberalism. The old Populist-progressive theme of "the people versus special interests" was a favorite with Truman. In his 1952 Bull Shoals speech, for example, he said:

> . . . The special interests that have fought against flood control and power development are teamed up with the special interests that have fought against price supports for farm products. These same special interest lobbies have fought against minimum wages for

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[10] "Address at the National Convention Banquet of the Americans for Democratic Action," May 17, 1952, Truman Papers: Truman, 1952-53, 346.

> working people. They have fought against advances in housing and health and education.[11]

All of the strains of progressivism that had been a part of the New Deal could be discerned in this public power rhetoric of the Truman Administration. It advocated Federal ownership of large projects where comprehensive river basin development was required and of transmission lines and steam facilities where needed to serve preference customers. Secondly, it recognized the necessity for cooperation between public and private power. Contrary to the many accusations by private utility spokesmen, none of the liberals in the Government during this period advocated nationalization of the power industry. Liberals realized that private power was on the scene to stay and that cooperation would be required. Chapman, for example, said in a radio interview in March 1950, "I'm one of those who feel that public power can develop and make progress for the best interests of the people along with and integrated with private power."[12] Strengthening of government regulation was the third element. Since private power would be in the picture permanently, the Federal Power Commission should grant licenses and set rates in the public interest.

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[11] "Speech Dedicating Norfolk and Bull Shoals Dams at Bull Shoals Dam, Arkansas," July 2, 1952, *ibid*., 460.

[12] Radio interview, Capitol Cloak Room, March 24, 1950, Chapman Papers, T.L.

The Truman Administration officials who espoused this mid-century American liberalism did consider the sectors of society their policies would benefit. Their public and private statements show little concern for protecting private property except insofar as they wanted to keep the system intact. Nor were these proponents of power liberalism particularly interested in helping the organized sectors of society. In fact, they showed a surprising lack of regard for organized labor by allowing contractors on Government projects to hire non-union labor. These liberals spoke and wrote mostly about helping farmers, the common man and housewives. Truman, for example, consistently backed the program of rural electrification which he called "a great liberator" for the farmer and his wife.[13] At the dedication of the two dams in Arkansas in 1952, he said that the power produced at them should go "to lighten the burdens of farmers and workers and housewives."[14]

In a speech delivered in May 1949 Secretary Krug told his audience that the resources of the nation's rivers belonged to everyone, those working for salaries or drawing dividends. Low cost electric power, he said, would mean increased use, which in turn would lighten the load of the housewife and the farmer and grant opportunities for both the tradesman and the industrialist.[15] Oscar Chapman said many times that the benefits of a large government project should go to all the people in the area, rather than to a private power company.[16]

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[13] "Speech at Broken Bow, Nebraska," Public Papers: Truman, 1950, 306; see also Public Papers: Truman, 1949, 5, 80, Public Papers: Truman, 1950, 86, 279, 306, 350, 365-66; Public Papers: Truman, 1951, 89; Public Papers: Truman, 1952-53, 92, 202-03, 333, 973, 981, 1149.

[14] Public Papers: Truman, 1952-53, 458.

In a speech at the dedication of Shasta Dam in 1950, William E. Warne remarked, "if we remain vigilant, the small farmer and the common man can be sure that . . . the water and power made available by this project will be fairly distributed."[17]

II

Although Truman and a few of his important officials espoused a public power liberalism that fitted in with both traditional and current American progressivism, how well did the Administration measure up in actual performance? The success of the Truman Administration in public power cannot be measured simply by looking at the extent to which Federal generating capacity and Government-owned transmission lines increased during this period. The statistics are fairly impressive. During the entire Truman Presidency, Federal generating capacity grew from 5,081 megawatts in 1945 to 9,678 megawatts in 1952 with about 90 per cent of this increase occurring during the period under consideration. Federal production of electric energy increased from 28,000 million kilowatt hours in fiscal 1945 to 52,498 million kilowatt hours in fiscal 1952, with about 70 per cent of this growth occurring during Truman's Second Administration. Furthermore, over 13,000 miles of Federal transmission lines were built during the Truman era as compared with less than 11,000 miles constructed up to 1945.[18]

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[15] Speech and Article File, Krug Papers, L.C.

[16] Reading File of Oscar L. Chapman, 1952, Miscellaneous Records, Chapman Papers, T.L.

[17] Speech, November 30, 1950, File 1-310, Administrative General, Power Development, Administrative, Public Statements by Department Officials, Part 1, R.G. 48, N.A.

However, these figures for capacity and production are not particularly surprising since by 1949, the concept of Federal comprehensive river basin development, which included hydro-electric power, was well established. Moreover, while Government capacity and production increased, so did that of private power. Federal generating capacity grew from 5,526 megawatts in 1948, or 9.8 per cent of the total, to 9,678 megawatts in 1952, or 11.8 per cent of the total. Private generating capacity increased from 45,381 megawatts in 1948, or 80.2 per cent of the total, to 64,349 megawatts in 1952, or 78.4 per cent of the total. On the production side, Federal operations grew from 35,373 million kilowatt hours, or 12.5 per cent of the total in 1948 to 52,498 million kilowatt hours, or 13.2 per cent of the 1952 total. Private industry production increased from 228,231 million kilowatt hours, for

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[18] Electrical World, January 25, 1954, 167, 177; Waltrip, "Public Power During the Truman Administration," 130.

80.7 per cent of the total, in 1948 to 322,126 million kilowatt hours in 1952, still 80.7 per cent of the total. Therefore, only in terms of percentage of capacity and production can it be said that the Federal government came out better. It strengthened its position slightly, gaining 2 per cent in capacity and 1 per cent in production, while private industry lost slightly in capacity and held its own in production.[19]

Private power by this time realized that it would not be allowed to purchase Federally generated power at the bus bar on its own terms although it was still trying to do so whenever the Government built a new project in areas where private power was well established. Furthermore, Congress was putting pressure on the Government to negotiate wheeling contracts with private companies so that it would not have to appropriate money for transmission line construction. Therefore, the increase in Federal transmission lines during this four-year period is somewhat more impressive than the generating capacity figures. However, many other factors were involved and must be taken into consideration in any assessment of the success of the Truman Administration in advancing public power liberalism. In the issue of transmission lines, as in the other aspects of the public versus private power struggle, attention must be given to what were the achievements and failures and how strong and steadfast were the efforts to attain success. It is also important to note, particularly where there were failures, outside factors that contributed to the outcome.

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[19] Electrical World, January 25, 1954, 167, 177.

President Truman was the man, who as chief executive officer and theoretically the representative of all the people, possessed the greatest amount of authority in the Administration to effect liberal power policies. However, more often than not he failed to make strong, straight-forward and concerted attempts to achieve immediate public power goals. Few liberals could find fault with his efforts to get a Columbia Valley Administration established in 1949. In other instances he acted positively in behalf of power liberalism, as well. He asked Congress for steam plants for the Tennessee Valley Authority, the Pacific Northwest and the Central Valley. He tried to effect a more liberal minded Federal Power Commission with his renomination of Olds and the reorganization plan that required the chairman to be appointed by the President. In an effort to save Hells Canyon and the Niagara River for Federal development, he asked Congress to appropriate funds for both projects. The President included his preference for publicly built power facilities for Niagara redevelopment in his special message to the Senate transmitting the treaty. Furthermore, he consistently backed the rural electrification program.

In more cases, however, Truman acted in a tentative, ambiguous and shifting manner with regard to liberal power goals. He did not make a genuine effort to solve the water resource organization problem. After 1949 he paid only lip service to the Columbia Valley Administration idea, remained ambiguous with regard to a Missouri Valley Authority and made no serious attempt to establish valley authorities in other river basins. Despite his talk about the dangers of failing to enact the entire reorganization plan as recommended by the Hoover Commission, Truman did not even include a proposal for consolidating water resource activities functions in the reorganization plans he sent to Congress. In fact, he showed practically no interest in the idea at all until early 1952 when he suddenly sent up a trial balloon to test its support in Congress and then just as quickly abandoned the plan. When his Water Resources Policy Commission suggested an alternative river basin organizational device that provided for more local participation than the valley authority, the President refused for an entire year to allow that body to release its legislative proposal that included the plan. Then it was permitted to do so only on its own authority. Giving as his reasons that the group had been instructed to avoid this issue since it had been adequately dealt with by the Hoover Commission (whose recommendations he had so far ignored) and that the subject was too controversial, Truman then turned the job of drafting legislation over to an inter-agency committee. The suggestions that this committee came up with to solve the organizational problem were not even transmitted to Congress during Truman's Presidency.

Most serious of all, Truman failed to effect unanimity within his own branch of government on power policies. He did nothing, for example, to persuade the Corps of Engineers to cooperate with Interior on the Roanoke Rapids case where they could have been most effective. Even leaving aside this agency, whose position of relative independence from the executive branch he had inherited, Truman also failed to bring other Government bodies into line. His efforts to change the Federal Power Commission into a body more concerned with the public interest, for example, were unsuccessful. The fact that Wallgren proved a disappointment is perhaps not so much evidence of Truman's lack of a desire to promote liberalism as it is his lack of judgment when it came to rewarding old friends. However, Truman did not replace another member of the body, Nelson Smith, with someone more sympathetic to public power when he had the opportunity to do so. In another instance, the President did not try to persuade the Defense Department to side with Southeastern Power against the Virginia Electric and Power Company regarding the Buggs Island-Langley Field transmission line.

When studied closely, some of Truman's actions regarding power policy appear to be not only tentative, ambiguous and shifting but contradictory and at times devious. Rather than face the politically hot issues of creating river basin organizational machinery and of setting down a clear national power policy, for example, Truman used the device of ad hoc Presidential commissions in an apparent attempt to quiet the opposition and assure liberals that he was doing something. Political scientists recognize the use of such groups by chief executives to divert public attention to other issues. Because they are temporary and their members prestigious, these commissions cannot easily be identified with one competing group or the other. The presidents who appoint them want "endorsement, not advice."[20]

Because he apparently wanted his Resources Policy Commission to come up with recommendations favorable to power liberalism and at the same time avoid the touchy issue of organization, Truman chose members likely to do so. However, this action, as well as the Commission's final report evoked strenuous criticism from private power. When he appointed his Materials Policy Commission, the President picked men who obviously would be more sympathetic to private power in an apparent effort to balance off the criticism. Furthermore, when Philip Murray put him on the spot regarding a Missouri Valley Authority after the 1951 floods, Truman quickly took up the suggestion that a Missouri Basin Commission be established to prepare a development plan for submission to Congress, a task that would obviously take as long as the Administration would be in office.

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[20] Harold Seidman, Politics, Position and Power, the Dynamics of Federal Organization (New York, 1970), 23-24; see also David B. Truman, The Governmental Process, 435-36.

Truman on occasion used another tool that helped him avoid solving a controversial political problem, the ad hoc inter-agency committee. He appointed such bodies to study and make recommendations concerning the reports of both his Water Resources Policy and Materials Policy Commissions.[21]

At the same time that he was delaying sending to Congress the report of the Water Resources Policy Commission and the legislative recommendations of the inter-agency committee he had set up to study it, Truman during 1952 was vigorously denouncing the private power industry. In a speech delivered by Secretary Chapman to the National Rural Electric Cooperative Association convention in March, for example, he denounced the private power industry's "vicious propaganda barrage" which he said was intended to restore "the unlimited right of private monopoly to exploit this nation's water power resources."[22]

At times, especially in 1952, the President's liberal power rhetoric appeared to be only a facade for public consumption and intended mainly to help the Democrats in the November election. The Electrical World in July noted the striking difference between Truman's Bull Shoals speech, in which he hammered away at the private power special interests for ganging up against the public, and the recommendations contained in the report of the President's Materials Policy Commission that had just been issued by the White House. These recommendations, which urged conciliation toward and cooperation with the private power industry by the Federal government, formed the basis for the private power journal's reassurance to its readers that they need not worry about a drastic change in power policy.[23]

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[21] See Seidman, Politics, Position and Power, 180-81.

[22] New York Times, March 14, 1952, 1.

Only two men among the top level officials in the Truman Administration who were involved with power activities worked diligently to effect liberal policies. Both were Secretaries of Interior, the Department with the most power responsibilities. Although his public image was less liberal than Chapman's Secretary Krug must be credited with substantial efforts on behalf of liberalism. Shortly after the President was reelected in 1948, the Secretary directed his staff to "devise procedures" for carrying out the liberal programs and policies to which Truman had committed himself during the campaign.[24] In order to aid

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[23] Electrical World, July 14, 1952, 114.

[24] Memorandum, Krug to Heads of Bureaus and Offices, November 30, 1948, File 110, Administration, Authorization

Truman's plan for a Columbia Valley Administration, Krug resisted pressure from the Secretary of the Army, Chief of the Corps of Engineers and the Commissioner of the Bureau of Reclamation to release the Newell-Weaver report while Truman's draft legislation was before Congress. He testified in favor of the bill before Congressional committees and enlisted other administration officials to do likewise. In another area, he held firm in protecting preference customers in negotiations between the Southwestern Power Administration and the eleven Southwest companies for wheeling contracts. His testimony before the House Appropriations Committee helped convince that group to approve the entire amount requested in the budget for 1950 for Southwestern construction and contract authority. This, in turn, led to the offer by the two Oklahoma companies to sign contracts similar to the one executed with the Texas Power and Light Company. While not representing a complete triumph for power liberalism, this kind of agreement at least meant that private power would not insist on the old bus bar attitude but would agree to protect the Government's preference customers.

During the year that Krug held the post of Secretary of Interior in Truman's Second Administration, he filed petitions to intervene and presented Interior's case to the Federal Power Commission against granting licenses

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and Policies, July 1, 1945-December 31, 1948, R.G. 115, W.N.R.C.

to private companies to develop the Kings River and Roanoke Rapids sites. In the case of Kings River, the Secretary wrote the Commission chairman to complain that his staff was using the private power argument in the proceedings.

Krug sensed that a study commission would delay the solution of the many pressing matters on water resources policy and administration, among which was the organizational problem which he wanted solved on the lines of the Hoover Task Force recommendation. However, he went along with the idea of the President's Water Resources Policy Commission so as not to lose Departmental initiative.

Oscar Chapman has been criticized for weakness in dealing with problems of administration by some of those who worked closely with him, and in 1949 a writer for The Nation dubbed him a "gentle crusader." However, most agreed that he believed in liberal causes and had considerable political skill.[25] Although he delayed making decisions when he feared they would harm the cause of power liberalism and on a few occasions performed with some deviousness, Chapman stands out as the man who most assiduously battled for a liberal public power program during the Second Truman Administration.

He was convinced of the need for Government-built steam plants in the Pacific Northwest and labored diligently, though unsuccessfully, to get Congressional approval for them. In 1951 Chapman ruled that defense plants could be located in the area and would have sufficient electric power for their needs, despite opposition from private power and the Defense Electric Power Administration. He then tied to the defense emergency the need for steam plants to help firm the hydro-electric power, and again urged Congress to authorize such facilities.

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[25] Elmo Richardson, Dams, Parks and Politics: Resource Development and Preservation in the Truman-Eisenhower Era (Lexington, Ky., 1973), 55; The Nation, March 1949, 267-68.

When he took over Krug's task of negotiating with the Southwestern power companies, Chapman insisted, as Krug had, that the preference customers and the Government's rights be protected. He did not sign contracts with the two Oklahoma companies, the first to negotiate seriously, until he was satisfied that the contracts contained such guarantees. Despite pressure from Congress, Chapman, with the partial exception of the Pacific Gas and Electric agreement, continued this policy of refusing to execute a contract that would not adequately protect the public power principles as contained in the Ickes memorandum and the statutes. Examples include the Georgia Power Company offer and the Virginia Electric and Power Company negotiations regarding transmission of Buggs Island power.

Chapman also fought to preserve the Kings River, Roanoke Rapids and Hells Canyon sites for Federal comprehensive river basin development. When his efforts before the Federal Power Commission failed to block private power's attempts to obtain licenses for building hydro-electric projects at Kings River and Roanoke Rapids, the Secretary continued his battle in the courts. In the case of Hells Canyon, Chapman testified extensively in 1952 before the House subcommittee considering a bill to authorize its construction. When the struggle shifted to the Power Commission, he filed a petition to intervene in the hearings to argue against granting a license to the Idaho Power Company for the Oxbow project and, later, for a series of small dams on the Snake River. Chapman worked just as untiringly to obtain public development of the Niagara River. He urged the President to stand firm on Federal development and fought the New York Power Authority scheme when he saw that it would mean that the power generated would be sold to private companies at the bus bar.

Secretary Chapman was concerned that there was no clearly enunciated Federal power policy. When he found himself trying to protect liberal principles in negotiations with private companies for wheeling contracts while Congress eyed him closely to make sure he was sincerely trying to avoid having to ask for money or use that already appropriated for transmission lines, he decided something must be done. Therefore, Chapman set up a committee to work on this task in July 1950, but at the same time he promulgated some guide lines for making wheeling contracts with private utilities that would protect government power principles.

It is true that in many of these cases Chapman could not claim victory, but he did succeed in preventing a clear cut decision from being made. He did this, for example, by taking the Kings River and Roanoke Rapids cases to the courts rather than letting the Federal Power Commission decisions stand.

In his eagerness to uphold liberal principles, Chapman sometimes appeared devious when he encountered opposition not only in the private power industry and in Congress but also in the executive branch and even in his own department. For example, he waited three months before responding to an offer for a wheeling agreement from the two Oklahoma companies, and contracts with the other twelve Southwest companies that had been tentatively agreed upon in February 1952 remained on Chapman's desk unsigned when he left office nearly a year later. In his dealings with South Carolina Electric and Gas Company regarding its offer to build the Clark Hill-Greenwood, South Carolina transmission line and wheel Federally generated power, Chapman's failure to inform the company immediately of his determination that it was not an "affected company" looked a good deal like trickery. Furthermore, he was apparently as willing as Straus to circumvent Congress in his eagerness to make the Bonneville-Central Valley tie line a reality.

Other department heads involved in public power activities do not measure up to the performances of Krug and Chapman in efforts to advance power liberalism. These officials were the Secretary of Agriculture, mainly through the Rural Electrification Administration, and the Secretary of the Army through the Corps of Engineers.[26] Secretary of Agriculture Charles Brannan was not an enthusiastic supporter of liberal power policies. He was skeptical about the President's Columbia Valley Administration plan, favoring a weaker body. However, he did testify before Congress in favor of the bill when requested to do so by Secretary Krug, and he gave a positive recommendation to the committee chairmen when they asked him to state his views in writing.

Brannan's representative on the inter-agency committee to study the report of the President's Water Resources Policy Commission did side with Interior in withstanding efforts by representatives of the Army and Federal Power Commission to weaken the public power recommendations of the study group. However, the opposing agencies succeeded in excluding a power policy statement from the proposed legislation.

More positive when it came to supporting the program of the Rural Electrification Administration, Brannan backed Wickard in the fight with the Defense Electric Power Administration over allocation. Agriculture's success allowed the Rural Electrification Administration program to go forward during the Korean conflict.

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[26] The Secretary of Commerce was involved in only a minor way, primarily insofar as power policies were related to the economic and business development of an area.

The Secretaries of the Army during this period, Kenneth Royall and Gordon Gray, did very little to help advance liberal power policies. In fact, by allowing the Corps of Engineers nearly free rein to pursue policies as it saw fit, they probably hurt such efforts as were made in that direction. Royall pressured Krug to release the joint Reclamation-Engineers plan immediately, knowing it probably would hurt chances for the President's Columbia Valley Administration proposal in Congress. Secretary Gray testified in favor of the Administration bill, as requested, but implied he was doing so only because the President wanted it. Furthermore, he gave no definite recommendation to the chairmen of the Congressional committees when they asked him to state his opinion in writing.

Very few second level administrators vigorously supported public power liberalism. With its history of near independence of the President's office, its close association with Congress and its zealous protection of its public works functions, the Army Corps of Engineers was not interested in the philosophy of power liberalism. General Lewis A. Pick, the Chief of Engineers during this period, together with his division engineers, came close to actually subverting some of the public power moves attempted by the Administration. Since 1946 these men had been working on ways to counteract support for a Columbia Valley Authority. They teamed up with their rival and sometime enemy, the Bureau of Reclamation, to try to undermine the Columbia Valley Administration plan with a "shot-gun marriage" for that river basin as they had done earlier with regard to the Missouri Valley.

The Engineers gave no support to Interior in its efforts to save power sites for comprehensive river basin development. This was true in the case of Roanoke Rapids, for example, even though the Corps was the agency that would build the project.

Although the Commissioner of the Bureau of Reclamation, Michael Straus was a firm believer in many of the tenets of power liberalism such as comprehensive, multiple-purpose resource development, his primary interest lay in preserving and extending the powers and functions of the agency that he headed. Straus had hoped that the Bureau could be the marketing agent for the Corps of Engineers projects authorized for construction in the area east of the Mississippi River and south of the Ohio River. He tried to thwart his own department's efforts to obtain a Columbia Valley Administration because he feared such an organization would mean the end of the Bureau.

Straus fought James Black, President of Pacific Gas and Electric Company, who he believed was trying to gain a monopoly over the electric power in the Central Valley of California and if successful would edge out the Bureau's power operations. Thus, Straus labored hard to get Federally built transmission lines and steam facilities for the Bureau of Reclamation project in order to strengthen his agency's position. For the same reason, the Commissioner began survey work on the Bonneville Power Administration-Central Valley inter-tie without specific Congressional authorization.

In 1950, as he had in 1945, Straus opposed the promulgation of an aggressive public power policy, partly on the grounds that the authority for it must be spelled out in the statutes. However, in his eagerness to attain his own objectives, Straus would not hesitate to try to find a way around departmental orders or Congressional directives.

All this is not to say that Straus was a consistent opponent of public power liberalism, only that he was guided not by philosophy but by practical, bureaucratic considerations.

Of the men who headed the three Interior Department power administrations during this period, only Ben Creim and Charles Leavy, who served as Southeastern Power Administration heads, remained steadfast in their devotion to the public power program. They followed their superiors' orders and in negotiations with private utilities for wheeling contracts drove hard bargains to uphold the preference and other power principles to which liberals were devoted.

Dr. Paul Raver of the Bonneville Power Administration could hardly be matched for his reputation as a power liberal in 1949. So concerned was he about threats to this approach in the Pacific Northwest in January 1952 that he prepared and sent to the Secretary of Interior an eighteen page memorandum outlining them. Characterizing the power policy of the Federal government in the Northwest as resting mainly on two principles--comprehensive development and protection of the public--Raver attacked executive and legislative shortcomings. He criticized executive failure to get the Federal Power Commission to rule promptly and in the public interest on the Idaho Power Company application so that construction of Hells Canyon could proceed as well as the failure to solve the problem of river basin organization in the Pacific Northwest. Raver strongly supported the proposals for steam plants in his area and the California-Oregon inter-tie.[27]

However, the sincerity of Raver's long record of power liberalism was called into question when the Administrator proposed in December 1952 that the Federal government be taken out of the power business completely.

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[27] Memorandum, Raver to Chapman, January 31, 1952, File 1-310, Administrative General, Power Development, Pacific Northwest, General, Part 2, R.G. 48, N.A.

He suggested the creation of an Interstate Power Commission to take over the functions of the Bonneville Power Administration. While liberals were stunned, private power proponents hailed the idea, and some newspapers speculated that Raver's motive was to keep his job under the new Administration. So incredible was the whole affair to Chapman that he refused at a farewell news conference to confirm that Raver advocated such an approach.[28]

Douglas Wright, Administrator of Southwestern Power Administration, talked a good deal about his devotion to the farmer and the common man, but in practice showed himself more interested in his own career and prestige than in advancing a liberal philosophy. He praised a draft contract with private power companies that he had worked out even though Secretary Chapman, his superior, had called its subsidy feature contrary to the law and opposed to established power policy. Wright then disobeyed the Secretary's orders to work on a straight interchange and wheeling agreement and instead submitted an even more objectionable draft. These actions undercut Chapman's efforts to protect liberal power principles.

Secretary Chapman increased the responsibilities of his assistant secretaries instead of relying on an under-secretary. Two of these assistants who served him and public power well were C. Girard Davidson and William E. Warne. Davidson was one of the few faithful supporters of extending valley authorities. He worked diligently for the President's Columbia Valley Administration plan by testifying at length before Congressional committees and by speaking in favor of it around the Northwest. He kept a close watch on Straus, who was quietly trying to wreck the plan, and insisted that the Commissioner follow departmental orders with regard to the announcement of the Newell-Weaver plan. Along with Interior counsel Gregory Hankin, Davidson worked out the Department's position in the Roanoke Rapids case, and he labored long and hard to persuade the people of the Northwest of the advantages of one, high dam to be built by the Federal government at Hells Canyon.

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[28] Newspaper clippings, Oregon Daily Journal, December 19, 1952, Longview Daily News (Longview, Washington), December 17, 1952, ibid., Part 5; Electrical World, December 29, 1952, 52, January 19, 1953, 5.

Assistant Secretary Warne battled for Congressional approval of Federally built steam plants for the Northwest and fought Defense Electric Power Administrator McManus' proposal to keep new industries out of the area until they could be assured of sufficient electric power. Warne was a key figure in the effort to sell Federal development of Hells Canyon to the citizens of the Northwest. Although he opposed revision of the Ickes memorandum in 1950, Warne can hardly be accused of defecting from power liberalism. He obviously felt that given the climate that existed in Congress, the public interest could better be advanced by relying on that statement plus Chapman's July 14, 1950 directive on wheeling contracts than by drawing private power's attention to a specifically stated public power policy that it could attack.

Although he has been characterized as "inept" by some historians,[29] Administrator of the Rural Electrification Administration Claude R. Wickard was devoted to the goal of completing the job of rural electrification and worked diligently to achieve it. He could boast in 1952 that nearly 85 per cent of the farms had been electrified as opposed to about 50 per cent when he took office in 1945 and 70 per cent in 1949. Despite pressure from private power and a law suit aimed at getting an injunction to prevent their use, Wickard continued the practice of granting loans to federated cooperatives for the construction of transmission facilities where sufficient power was unavailable or obtainable only at unreasonable rates. In some cases these facilities were integrated with those of the Southwestern Power Administration. This resulted in additional power being carried to areas where it was needed, lower costs for the cooperatives in generating power because of the peaking capacity received through integration and ultimately lower rates for the consumer.

In other strong and successful moves, Wickard fought attempts by the South Carolina Electric and Gas

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[29] Hamby, Beyond the New Deal, 56.

Company to block a similar loan to a group of distribution cooperatives for a transmission system to carry low cost power from the Santee Cooper project in South Carolina. Furthermore, when the program for allocation of strategic materials by the Defense Electric Power Administration threatened to slow up the work of his agency during the Korean emergency, Wickard insisted that rural electric cooperatives be allowed to pool their share of construction materials through the Rural Electrification Administration.

III

In addition to the fact that only a few officials in the Truman Administration worked diligently and consistently for power liberalism, other forces operated to lessen the chances for success in a number of the phases of the public versus private power struggle during this period.

One reason why Truman did not try as hard as he might have to effect liberal policies was the fact that he was a devoted party man and practical politician. He had to consider the split in the Democratic party, which he hoped to heal, how certain policies might affect party members' chances in the next election and whether pushing for liberal power programs would jeopardize other parts of the Fair Deal. Truman understood that he never had a real working majority for power liberalism in Congress. The

Eighty-First was the best for the program, but even then the Democratic majority in both Houses did not assure support. Liberal Democrats and liberal Republicans usually voted for such measures, while conservative Democrats often lined up with the majority of Republicans to vote against liberal power proposals.[30] Thus, when it became apparent in early 1950 that the Columbia Valley Administration plan could not command sufficient backing in Congress, Truman realistically tried to salvage what he could by urging that the joint Army-Interior plan be adopted.

It was with an eye to the elections of 1952 that Truman kept in abeyance the question of Niagara redevelopment. Concern about these elections probably also explains his reluctance to come to grips with enunciating a power policy and solving the organizational issue. By using study groups to study study groups he could help the party avoid a controversial issue in the election campaign.

Executive branch "in-fighting" also played a part in the failures of the Administration to implement a more liberal power policy. It took various forms. The Chief Executive and the Interior Department often found themselves pitted against the Department of the Army and the Federal Power Commission. With its direct line to and close association with Congress, the Army's Corps of Engineers proved a formidable enemy in any reorganization plan that would threaten its civil functions. Its interests often coincided with those of private power proponents. The Corps sided with the Power Commission against Interior and Agriculture in favor of a point of view more in line with private power thinking in the President's Water Resources Policy Commission Committee on Power Policy and on the inter-agency committee that reviewed its report.

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[30] Waltrip, "Public Power During the Truman Administration," 132.

Other examples of "in-fighting" found agencies within a department working at cross purposes as the Bureau of Reclamation did with Bonneville Power and the Office of the Secretary in the effort to establish valley authorities in the Columbia and Missouri River basins. And, of course, an agency in one department often clashed with an agency of another department. The most important illustration of this was the traditional rivalry and competition that existed between the Bureau of Reclamation and the Corps of Engineers which often thwarted liberal power proposals, especially those that called for reorganization of Federal water resource activities.

A third factor which influenced the outcome of the public versus private power struggle was local area sentiment. It played a role in preventing the establishment of the Columbia Valley Administration and the serious consideration by the President of setting up a Missouri Valley Authority. Although a majority of people in the Northwest appeared to favor Federal development of Hells Canyon, opposition by governors, chambers of commerce and other influential persons and groups contributed to Congressional inaction.

Withdrawal of support for parts of the liberal public power program by segments of organized labor played a small though psychologically effective part in some of the Truman Administration's failures to achieve liberal power goals. A representative of the International Brotherhood of Electrical Workers testified before Congressional subcommittees in opposition to appropriations to Southeastern Power Administration for construction of transmission lines on the grounds that the preference clause was anti-labor. His charge that public systems often violated the Davis-Bacon Act by letting contracts to non-union contractors called into question the sincerity of the liberalism of this aspect of the program. The Interior Department was concerned enough to hire Andrew J. Biemiller as a temporary consultant to look into the grounds for such criticism.[31]

In 1952 the Congress of Industrial Organizations Utility Workers' Union of America joined the Brotherhood of Electrical Workers in backing private utility executives in their opposition to Federal development of the Niagara River and Federal expansion of transmission lines. This attitude influenced men like House Interior Appropriations Subcommittee Chairman Michael J. Kirwan (Democrat, Ohio), who was closely associated with organized labor politically, and Representative Ben F. Jensen (Republican, Iowa), ranking minority member, to look for cuts in appropriations for transmission facilities.[32]

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[31] Memorandum, Andrew J. Biemiller to Warne, March 28, 1951, File 1-310, Administrative General, Power Development, Southeastern General, Part 3, R.G. 48, N.A.; memorandum, Warne to Chapman, April 12, 1951, File 1-310, ibid., Part 11.

Finally, the campaign by private power to discredit public power liberalism was effective. It won allies in Congress and in other sectors of society through its extensive and costly publicity campaign carried out through magazine, newspaper and radio advertisements. Private power's use of scare phrases to describe the effects the liberal power program would have if enacted probably helped sway a number of people to its side and managed to put the Interior Department officials on the defensive. A technique especially effective during the McCarthy anti-Communist crusade that began in 1950, these phrases included "creeping socialism," "state socialism," "interference in states' rights," "crushing of private industries and individual rights," "ruination of initiative," and "vicious paternalism."[33]

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[32] Public Utilities Fortnightly, March 13, 1952, 375.

[33] "Collection of Scare Words on Electric Power," Electric Power File, David D. Lloyd Papers, T.L.

An advertisement widely used by private industry featured a parody of "Ten Little Indians." Explaining the dangers that creeping socialism presented to ten industries and professions, the opening stanza carried a message for the private power industry ("Reddy" refers to "Reddy Kilowatt."):

> Ten little free workers in this country fine and fair.
> But if you cherish your freedom--worker have a care!
> Ten little free workers--Reddy was doing fine
> Until the socialists got him--then there were nine.[34]

More serious were the campaigns to link Oscar Chapman and Michael Straus with the Russian Soviet cause. The attack came from the "Kansas McCarthy," Republican Senator Andrew Schoeppel, who accused both men of having been members of Communist front organizations. Although investigated by the Senate Committee on Interior and Insular Affairs, these charges were not substantiated.[35]

In another episode, a furor arose over whether or not a district manager for the Bureau of Reclamation at Casper, Wyoming had said at an open meeting that the Federal power program was "socialistic." An investigation ensued, going up through the echelons of the Bureau to the Interior Department and then to Congress, with Chapman feeling compelled to place in the record of the hearings held by the House Committee on Interior and Insular Affairs a categorical denial that the Federal power program was in any way "socialistic."[36]

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[34] Electrical World, January 16, 1950, 44, 46.

[35] Richardson, Dams, Parks and Politics, 35-36; New York Times, September 7, 1950, 35, September 8, 1952, 12; newspaper clipping, Denver Post, March 27, 1949, Office Files of the Secretary of the Interior, 1933-53, Bureau of Reclamation, 1946-49, R.G. 48, N.A.; press conference, September 7, 1950, Public Papers: Truman, 1950, 621.

That the smear campaign was effective was evidenced by this kind of defensive position taken by Administration officials. For example, Douglas Wright, Southwestern Power Administrator, felt constrained in nearly every public speech he made in 1950 and 1951 to defend himself and his agency against charges of socialism and communism. A favorite defense he used was to call the Mayflower Compact and even the original thirteen colonies "cooperative ventures." The United States, he would say, was "the biggest cooperative arrangement that ever happened."[37]

These techniques played a role in the defeat of liberal power supporters running for Congress in 1950. Both Representative Helen Gahagan Douglas of California and Senator Glen Taylor of Idaho fell before this attack.

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[36] Telephone call, John N. Spencer, Supervisor, Region 7, Bureau of Reclamation, to Gordon H. Storm, Manager, Pathfinder Irrigation District, May 2, 1952; memorandum, Straus to Chapman, May 6, 1953; memorandum, Administrative Assistant Northrop to Chapman, June 20, 1952; letter, Chapman to Representative John R. Murdock, Chairman, Committee on Interior and Insular Affairs, June 20, 1952; memorandum, Straus to Chapman, May 6, 1952, all in File 1-310, Administrative General, Power Development, Administrative, Part 15, R.G. 48, N.A.

[37] "Speech to Statewide Electric Cooperative Annual Convention, Oklahoma City," March 29-30, 1951, *ibid.*, Part 10, see also "Speech to NRECA Annual Meeting, Region X," October 27, 1950, File 1-310, Administrative General Power Development, Public Statements by Departmental Officials, Part 1, R.G. 48, N.A. and "Address to Laclede Electric Cooperative Annual Meeting, Lebanon, Missouri," June 29, 1951, *ibid.*, Part 2.

Another outside force that had some effect on power policy during these years was the defense effort caused by the outbreak of hostilities in Korea in the summer of 1950. This emergency caused increased production of both public and private power, although not at the rate expected. The Interior Department announced a speed-up program for electric power to meet the demands of defense calling for 7,443,300 kilowatts installation by 1955 and then revising it downward to 6,440,000 kilowatts. However, in October 1950, Straus was complaining that it had not been adopted as an Administration program and that no speed-up program worthy of the name existed. And in May 1951, Chapman was still protesting that the power program was not being allocated sufficient materials.[38]

The Government justified a number of public power projects in the name of defense--the steam plants for the Northwest, the California-Oregon inter-tie, Hells Canyon, the St. Lawrence project and Niagara power, to name a few. None of these was approved by Congress; however, others, such as the steam plants for the Tennessee Valley Authority, received Congressional endorsement.

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[38] Memorandum, Otis Beasley, Director, Division of Budget and Finance, to Northrop, March 14, 1951, File 1-310, Administrative General, Power Development Administrative, Part 10, R.G. 48, N.A.; letter, Chapman to Edwin T. Gibson, Acting Administrator, Defense Production Administration, May 9, 1950, *ibid*., Part 11.

IV

The record shows that there were more failures than successes for public power liberalism. No new valley authorities were established, the organizational problem was not solved and a Federal power policy was not enunciated. Steam plants for the Central Valley and the Pacific Northwest were not approved, the Bonneville-Central Valley inter-tie did not receive Congressional approval and private utilities and their sympathizers managed to impede a number of planned transmission systems and to force the Interior Department to conclude a number of wheeling contracts with private power companies. In some of these agreements, as in the one concluded with Pacific Gas and Electric Company in 1951, preference customers were placed at the mercy of the private utility. Only time would tell how well liberal power principles would be protected in others, such as the one concluded with the two Oklahoma companies. Furthermore, the principle of generating and transmission loans, kept in abeyance by a court case, was not definitively accepted. After 1951 Congress set the limit each year on the amount that the Southwestern Power Administration could use from its Continuing Fund and allowed Southeastern Power only a small fund for emergency purposes for 1952 and nothing for 1953.

Liberals also failed to achieve their objectives in the struggle for the remaining choice power sites. Most serious was the Administration's inability to establish the principle that a site contained in a Federal comprehensive river basin plan that had received Congressional approval was reserved by that act for Government development. In not one of the four cases reviewed here was there a clear victory for the Federal government and liberalism, and none appeared likely. In the cases of Kings River and Roanoke Rapids, the President and the Interior Department were unable to win to their side the Federal Power Commission, a Government agency whose members were appointed by the President and, as a result of Truman's own reorganization plan, whose chairman was named by the Chief Executive.

Significantly, the trend in January 1953 was obviously toward a stronger position for private power in the years ahead. This direction could be seen in the wheeling contracts, the Federal Power Commission rulings on the choice sites, the report of the President's Materials Policy Commission, the talk of inter-state compacts and the Republican Administration waiting in the wings to take over. The defection by Dr. Paul Raver, the long-time liberal, symbolized this trend.

The balance sheet does not contain all minuses, however. Federal transmission line mileage and generating capacity were increased, steam plants for the Tennessee Valley Authority were approved, the Southwestern Power Administration weathered the attack on its existence and the Southeastern Power Administration was established.

Although wheeling contracts represented a compromise and a new era of cooperation between public and private power, Chapman, with the help of public power liberals in Congress, was able to get appropriations for transmission lines to put Interior in a better bargaining position with private companies. This, in turn, helped the Secretary and the Department to obtain terms in a number of the agreements that seemed to adequately protect the preference and other liberal power principles. Furthermore, although the generating and transmission loans principle was not definitively settled, the Rural Electrification Administration proceeded with several of these loans to federated cooperatives which in turn made contracts with the Southwestern Power Administration. This resulted in power being brought to 100,000 served and unserved customers in the area at low rates.[39]

Another plus was the advancement of the Rural Electrification program, even during the defense emergency, with the result that 85 per cent of the nation's farms were electrified. Another gain, small but potentially significant, occurred in the struggle over Niagara redevelopment. In this case, the right of the Government to develop a project primarily for power was openly advocated for the first time and won some acceptance.

Despite these gains, public power liberalism clearly did not advance as much as it might have during the Second Truman Administration had greater efforts been made.

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[39] "Notes of Meeting on Cooperatives Having Contracts with SPA," May 18, 1953, Files of Riggs Sheppard, R.E.A. R.G. 221, N.A.

Only a few administration officials tried assiduously to advance the liberal public power program. Furthermore, those who did for various reasons backed only a few of the projects. Truman was not a consistent promoter of public power liberalism. He probably tried his best for the Columbia Valley Administration in 1949 but made no concerted effort to solve the organizational problem as a whole or to work out a Federal power policy. He was fairly strong on backing requests for transmission and steam facilities, for Federal development of Hells Canyon and Niagara and for the completion of the rural electrification program. However, his efforts to save Kings River and Roanoke Rapids and, most of all, to effect executive unanimity on the program as a whole were weak.

On the senior level, only Oscar Chapman and perhaps Krug can be said to have persistently tried to implement liberal policies. Some second level men such as Creim, Warne, Davidson and Wickard were unfailing in their efforts to achieve such goals, but the area they affected was not wide enough or their power to make policy great enough to achieve a significant amount of success.

Along with this lack of consistent effort on the part of most administration officials, factors of politics, executive branch discord, local area sentiment, disenchantment of labor with some parts of power liberalism and the concerted attack by private power played a role in the failure of the Second Truman Administration to win the crucial battles in the struggle between public and private power.

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